CIAI TIM

THURSDAY APRIL 1 1999

World Business Newspaper http://www.FT.com



FT Weekend Saturday Why liberals are hopeless at waging war



Poland US businesswoman shakes up behemoth Page 22



REFUGEES 'FORCED ON TRAIN AT GUNPOINT' AND TAKEN TO MACEDONIAN BORDER. CLAIMS UN AGENCY

Thousands flee Kosovo city

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Regulating scientists Jury of peers guides research Page 14



how to spend it colour magazine

Master bathrooms British icons under the eyes of the portrait painter

WORLD NEWS

Unionists hint at concession in Ulster deadlock

The outlines of a possible deal to end the impasse over paramili-tary arms in Northern Ireland amerged when David Trimble, Ulster Unionist Party leader, and the province's first minister hinted that his party might allow Sinn Fein to join a power sharing executive, provided the Irish Republican Army's political wing gave a "commitment" to disarm. Page 18

Brazil tightens up on budgets President Fernando Henrique Cardoso of Brazil threw his political weight behind a proposal to enforce greater budgetary discipline at all levels of government, including state governors and city mayors. Page 23; IMF praise, Page 8

France signs Amsterdam treaty The European Union's Amsterdam treaty is to come into force on May 1 after Paris notified EU authorities of French acceptance. France was the last country to ratify it. Europe, Page 3

Greece sager to meet euro terms Greece is prepared to take exceptional measures, including indirect tax cuts, to reduce the average inflation rate this year to 2.5 per cent, the level required to qualify for euro membership in January 2001. Europe, Page 3

Deadlock on N Korea missile talks US officials warned that a quick solution to curbing North Korea's production and export of m was not in sight, as the two in the latest round of talks in Pyongyang, Asia-Pacific, Page 8

Finnish premier to hold talks Paavo Lipponen, the Finnish prime minister, is expected to begin intensive talks today with rival party leaders in an attempt to form a new government after last month's inconclusive general election. Europe, Page 3

indian call for economic reforms India's commerce minister says reform of labour laws, deregulation of protected small industries and other measures are needed to boost the country's flagging export performance. -Pecific, Page 8

Mexican party chooses leader José Antonio González Fernandez, and his running mate, Dulce Maria Sauri, have secured the leadership of the ruling Insti-tutional Revolutionary Party (PRI) in an uncontested election.

UK energy offer 'Inadequate' The British government's offer of a 50 per cent discount in its orgposed energy tax is inadequate, the Confederation of British Industry, the UK's principal employers' organisation, said. Britain, Page 12

Yahoo! poised for \$4bn takeover of net radio company

Yahoo!, the leading internet site, was last night expected to announce the acquisition of Broadcast.com, the Internet radio company, in a deal likely to be worth more than \$4bn, AOL worth \$140bn, Page 19

Ford of the US, the world's Cars after its SKr50bn (\$8bn) acquisition. Companies and Markets, Page 19

DaimlerChrysler, US-German automotive and aerospace group, strengthened its opposition to the link-up between British Aerospace and General Electric unit Marconi, saying it had "shattered to the strength of the streng dreams of a pan-European defence and aerospace com-

Titres more UK company chief executives have broken the £1m remuneration barrier, according to annual reports. They include Marjorie Scardino, chief executive of Pearson, which publishes the Financial Times. Companies

ABN Arro Equities (UK) and Morgan Stanley Securities - part of Morgan Stanley Dean Witter of the US - were fined for "misconduct" by the London Stock Exchange, Companies and

Markets, Page 19 Securines, African mining group, is investigating suspected unauthorised sales of its cobalt stocks by former agents in the wake of its exclusive marketing deal with MRG Cobalt Sales. Page 90

A panel set up by the UN Security Council to study the humanitarian situation in Iraq has recommended foreign companies are allowed to invest in trag's oil sector to raise the country's export capability, diplomats sald. International news, Page 4

Aegon, Dutch insurance group, and AOT, leading marketmaker in Amsterdam stocks, disputed the reasons for a last-minute collapse in AOT's planned merger with Bank Labouchers, investment bank owned by Aegon. Europe, Page 22

Banque Nationale de Paris officially launched its hostile bids for rivals Société Générale and Paribas, pushing the takeover battle between France's three largest listed banks into a new phase. Europe, Page 22

second largest automotive group, plans a new chief financial officer and head of marketing at Volvo

pany", Companies and Markets Page 18; Observer, Page 17

World Equity Markets The latest trends and date from more than 50 netional markets at a glance

and Markets, Page 19

WORLD MARKETS

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BUSINESS NEWS

By Guy Dinmore in Belgrade Ethnic Albanians and Serbs were yesterday streaming out of Pris-tina, the main city in Kosovo, oining a mass of refugees fleeing the Serbian province for fear of attacks by government forces

and Nato bombing raids. The flight by car and train offered the first clear evidence that the mass exodus from Kosovo's rural heartlands has now spread to major urban centres where much of the province's original 1.8m population is con-

The United Nations High Commission for Refugees said some 3,000 refugees arrived from Pris-tina by train at the border with Macedonia. They had been forced on board at gunpoint, the doors locked behind them.

Jamie Shea, the Nato spokes-man, said the Yugoslavs were

now driving people out of Pris-tina and Orahovac in the south-west of the province. Residents of the northern mining town of Mitrovica yesterday reported gunfire in the streets and said many inhabitants were fleeing. Natasa Kandic, a Serb lawyer

based in Belgrade, was one of the Albanian majority is heading few brave enough to drive to south. Pristina, with the aim of evacuating the staff of the Humanitarian Law Centre, an independent



fear is deep," said Ms Kandic. Pristing, the administrative centre of Kosovo, once had a population of some 200,000. The city's Serbs are fleeing north, deeper into Serbia, while the ethnic

Ms Kandic said thousands of vehicles were backed up on the main road leading to Macedonia. human rights group that has She confirmed reports from eth-monitored the year-old war in nic Albanian refugees that police and troops had emptied houses of "Most people in Pristina, residents and moved in to seek Serbs and Albanians, are leaving. refuge from Nato attacks on bar-

"The Serbs are afraid of Nato and unknown groups who are looting. The Albanians fear the peramilitaries," the lawyer said on her return to Belgrade, 350km

to the north. But she also found some solidarity among the city's mixed ethnic groups, that also include Montenegrins, Moslam Slavs, Turks and Gypsies. Serbs and ethnic Albanians were sharing bomb shelters and had organised themselves together against

marauding gangs.

Ms Kandic said she could get Stavation threat, Page 2

Kosovo Albanians claimed by Nato and US officials to have

ministry yesterday gave permis-sion for eight Russian warships

She also rebuffed the reports, wever, that the house of Ibrahim Rugova, Kosovo's elected, pacifist, political leader, had been burnt down.

Meanwhile, Turkey's foreign to move through the Bosporus strait, Russia's response to Nato's

Prodi wants role for EU in Balkans

Peter Normen in Rome

Romano Prodi, president-European Union to play a leading role in a regional settlement for the Balkans after the end of the war with Yugoslavia.

In an interview with the Financial Times, Mr Prodi said the EU should offer a "partnership" with states in the region, to provide a long-term political solution to ethnic rivalry in the Balkans.

"It will be difficult to solve the Balkan problem in the long run if Europe does not supply a common roof for the different groups want a solution you have to give

the Balkens."

not take sides in the debate in designate of the European Com-ltaly over Nato's military EU leaders unanimously nomi-mission, yesterday called for the onslaught against President nated Mr Profit, a former prime Slobodan Milosevic, whose paramilitaries and army are driving thousands of ethnic Albanians out of Kosovo.

But he insisted that European leaders had to think beyond the conflict, just as the allies at the height of the second world war planned the post-war reconstruction of Europe and the world's financial system.

He stressed that Europe had to answer the charge that it had failed to take responsibility for noting that several Italian air- small political units could cothe crisis on its doorstep. One of his priorities of his forthcoming

hope. You need a conference on term as president of the Euro- increasing tension. Everybody is the Balkens."

pean Commission, the EU's BrusMr Prodi made clear he would sels-based executive, would be a new Belkan initiative.

minister of Italy, as president of the Commission at the Berlin symmit last week. But it remains unclear when he will start serving his five-and-a-half year

In the FT interview, Mr Prodi expressed his concern about the war and Italian public opinion which is deeply divided over Nato's intervention.

"I am so worried about the war. We are so close," he said. ports, including Bari and Trieste, had been closed. "There is in the Balkans.

asking 'what next?'." Looking shead to a future sace, Mr Prodi said the EU should export its own political "model" of democracy, ethnic diversity, and shared common goals to the Balkans.

Though EU membership for the Balkan states was not on the horizon, countries could form partnerships among themselves and with the Union, provided they were democracies.

"We have to put them in an area of development with some kind of autonomy," he said. Citing the example of Luxembourg in the EU, he said that even exist under the "European roof"

Newsprint companies face price fixing inquiry

By Emma Tucker in Brusselt

The European Commission has opened a formal investigation into allegations of a price fixing and market sharing cartel oper-ated by "a large part" of the European newsprint and maga-

zine paper from 1989 to 1995. Brussels believes it has amassed enough evidence to show that companies in Finland, Sweden, Austria, Germany, the UK, Italy and France were involved in price fixing, setting quotas at a national level and artificially allocating business among themselves. It has issued them a statement of objections.

If found guilty, the companie could be fined up to 10 per cent of their turnover. The fines would reflect the duration and gravity

of the offences. Critical factors such as the fact that some small companies were forced out of business because of excessive newsprint costs would be taken into account. Victims could sue newsprint producers

for damages. Evidence of the anticompetitive behaviour was picked up four years ago when the Commission staged dawn raids at 21 companies and later at two newspaper associations – the German Paper Manufacturers Association and the German

Paper Importers Association. The raids were triggered by complaints from publishers that believed newsprint prices, which make up 25 per cent of magazine costs, were not being set under

normal market practices Criticism was particularly fierce in the UK, where some magazines were forced to reduce their size following price rises of up to 15 per cent in the mid-1990s.

According to EU officials the increases are believed to be the result of seven alleged meetings

held between 1989 and 1995. Names of the companies allegedly involved have not been divulged. However, Austria's two main producers - Steyrermühl and Leykam - are understood to

be under investigation. UPM-Kymmene and Stora Enso, Finnish and Swedish groups who control about half of European magazine paper, are also understood to be involved. Stora Enso said it was co-operating with the inquiry.

Mitsubishi Electric launches shake-up

By Paul Abrahams in Tokyo

Mitsubishi Blectric, the Japanese industrial electronics conglomerate, yesterday unveiled a sweeping restructuring of its portfolio of businesses.

The measures are among the

nost ambitious yet in the series of rationalisation programmes announced in recent months by Japanese industrial companies. But the moves have also raised fears about rising unemployment, which reached a record 4.6 per cent during February. Ichiro Taniguchi, Mitsubishi

Electric president, said the rationalisation was based on the premise that difficult market conditions would persist. The group needed to create a structure that was not dependent on volume increases, he explained.

Mr Taniguchi said 14,500 jobs would be lost, nearly 10 per cent of the workforce, including 8,400 in Japan and 6,100 overseas. He refused to specify where the job losses would occur, but said most of the overseas restructuring was complete. The company has already closed a television factory in Scotland and a semiconductor factory in Germany.

be achieved by natural attrition, with the rest through cutting

other industries and disposing of individual businesse

Fixed costs would be slashed by more than Y100bn (\$830m) and investment would be reduced about 20 per cent and research and development by 10 per cent. The collapse in consumer confidence and cuts in corporate capital spending in Japan have hit many of Mitsubishi Electric's core businesses, including factory automation, elevators and escalators, air conditioners, white goods and consumer electronics. The group is expected to post a net loss of Y40bn for the financial

year that ended yesterday. About 43 per cent of the group's operations by turnover would be targeted for expansion. 36 per cent would need to improve profitability and 21 per cent would no longer receive investment, "Those deemed difficult or impossible to return to profitability will be spun off, sold or shut down by March 2001," Mr

Taniguchi warned. By March 2002, Mr Taniguchi said he intended profits before tax to reach Y120bn on sales of Y4.000bn. He set a return on About half the job losses would equity target of over 10 per cent.

Heads roll, Page 24

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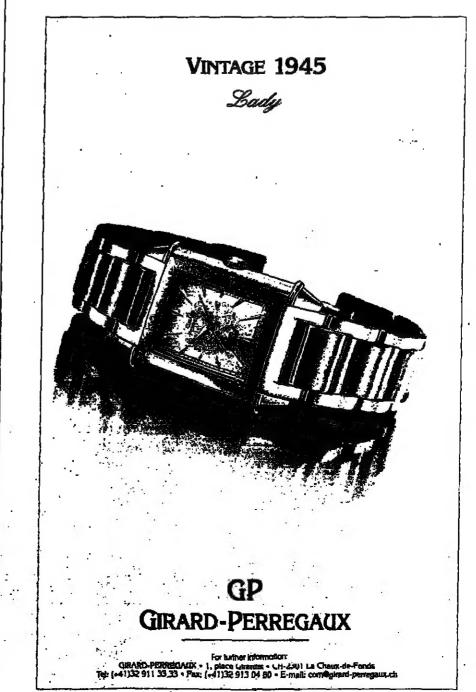
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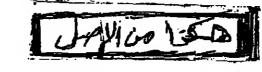
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KOSOVO CRISIS NATO WARNS THAT NO FACILITY INVOLVED IN ATTACKS ON ETHNIC ALBANIANS IS SAFE - FOOD CRISIS THREAT IN PROVINCE

Range of Yugoslav targets widened

By Nell Buckley in Brussels and Kevia Done in London

no Yugoslav facility that "planned, conceived, directed or carried out" attacks against Kosovar Albanians would be safe from its bombing campaign, after it widened the scope of

air operations. The warning was taken as a signal that targets in central Belgrade, including government buildings such as the defence or interior minis-

In persuading Slobodan

Milosevic, Yugoslav president, to offer to pull some

troops out of Kosovo in

exchange for Nato calling off

its warplanes, Igor Ivanov,

the Russian foreign minister,

yesterday claimed Moscow

had made "an important

But Nato leaders retorted

that the result of six hours

of talks by Yevgeny Prima-

with the Yugoslav leader

was nothing of the kind.

George Robertson, the UK

defence secretary, summed

up Mr Milosevic's message

as: "Nato stops the bombing,

he only slows down the kill-

Nato was mainly incensed

at Mr Milosevic's failure to

offer the ceasefire on the

part of his own forces, to

which he is notionally com-

mitted by his October 1998

agreement with Richard Hol-

complete brush-off," said one

Nato is serious - he's still

hoping the alliance will fall

anart." But in other respects,

the Yugoslav leader's offer

also failed to satisfy the

His troop reduction pro-

sation of the bombing, (the

The decision to broaden The build-up of forces in had no intention of getting the range of targets was the region was intensified as involved in the conflict. taken by Nato envoys in Brussels on Tuesday night, after Nato leaders rejected a peace offer from Slobodan Milosevic, Yugoslav president, as inadequate.

Asked if central Belgrade could be targeted, Jamie Shea, the Nato spokesman, replied: "It is quite clear that no facility, no unit, that is currently being used to plan, conceive, direct or carry out the Yugoslav campaign against the Kosovars is going to be a sanctuary."

Milosevic peace

offer angers Nato

are in Kosovo for the pur-

pose of defence of the country". The last part of this

phrase could imply that the

reduction might only apply

to the regular army, not to

Belgrade's failure to spec-

ify the scale and timing of

any reduction in the 40,000-

strong army and police

forces it has in and around

Kosovo contrasts starkly

with the detail in the Ram-

bouillet plan drafted by

international mediators and

eventually signed by sthnic

Albanian leaders on March

According to this the MUP

were, on the day of a peace

settlement being signed (or

K-day), to be reduced to

their level before fighting

broke out a year ago. Within

five days, K+5, they were to

return to barracks; by K+20

all their heavy arms were to

leave Kosovo: by K+60 50 per

cent of the remaining MUP

were to be removed; by

would be 2,500, who would

police, reflecting the local

population in communes.

Within a year, K+385, all

MUP would disappear from

for army reductions was

in barracks except for 1,500

The Rambouillet timetable

brooke, the US envoy. "It's a K+120 the number of MUP

UK official yesterday. "He hand regular policing over to

has not understood that newly formed cantonment

posal is vaguely worded, to only slightly less detailed.

the effect that "after the ces- By K+5 all soldiers would be

the MUP special police.

Russia, which flercely campaign, announced it was sending a reconnaissance ship to the Mediterranean Sea to gather information about the Yugoslav conflict. and was considering dis-

patching six more ships. Mr Shea said Nato had "noted" the movement of Russian naval ships from Sevastopol into the Adriatic, but had been reassured by President Boris Yeltsin's "firm" statement that Russia

would remain.

separatists".

evic insisted this week on

the complete cessation of

Nato's support for the [KLA]

In fact, western mediators went to considerable lengths

to persuade the KLA to

accept interim autonomy

within Yugoslavia. They

refused to include in the

Rambouillet plan any men-

tion of a referendum on inde-

pendence, although the com-

promise language about "the

will of the people" being one

determinant of Kosovo's

final status was an attempt

After meeting a KLA dele-

gation in London this week,

Robin Cook, the UK foreign

secretary, said that while Nato was "not neutral" towards the KLA - particu-

larly after the past week's

Serb atrocity allegations and

Albanian refugee exodus -

the alliance still refused to

endorse Kosovo indepen-

dence or to arm the KLA to

The issue of how Kosovo's

to leave that option open.

Nato yesterday accused opposes the Nato bombing the Yugoslav authorities of trying to erase the identities of ethnic Albanians being driven out of Rosovo by destroying their public

records and archives. It said the Yugoslavs were destroying the property deeds, birth certificates, marriage licences and financial and other records of Kosovar Albanians now being forced to flee their homes in their hundreds of

the number of refugees mand, said bombing efforts crossing into Albania was continued to be hampered by nearing 100,000 and the poor weather, but a forecast influx showed no signs of improvement in the weather letting up. The vast majority could allow the alliance to of refugees were crossing increase the "momentum from Kosovo into north-east and flexibility" of attacks. Albania at the Morina border post, near Kukes.

The European Commission severely damaged by Nato said yesterday foreign minis- attacks, he said. ters from Albania, Bosnia, Macedonia, Hungary and Slovenia would meet EU representatives in Bonn today to discuss the refugee crisis. Air Commodore David

European monitors said Wilby, of Nato military com Some 30 Yugoslav aircraft

had now been destroyed or Nato admitted yesterday that Yugoslav hackers had broken into its internet

home page and had jammed its e-mail system with 2,000 messages a day.



sensitive matter for Serb Diplomacy at odds negotiators in the Rambouil-

let talks. But they also dis- Serb cesseive as promised in Oct. 1998 puted the idea of Kosovo having a president and a

 Withdrawel of Serb forces from Kosovo, at least to levels of March 1998, If not to those of the Ramboulliet timetable, which would remove all special police after a year and all ermy after six months, except for 1,500 border troops.

 Acceptance of the Rembouillet political plan to give Kosovo substantial autonomy within Yugoslavia

· Acceptance of an international military force, not least no guarantee the sets return of refugees

Nato must:

Coase eir strikes

End 'any kind of support to armed Albanian separatists'. After

 Reduce Yugoslav military presence in Kosovo Enter talks to secure the interests of all attraks and religious groups in Kosovo

Allow 'peace loving' refugees to return.

tive peace mission has revealed, however, is that begin decreasing the pres- national borders. By K+90 50 mined was by far the most to have burnt records and macy remains open through chasm.

Moscow, Nato and Belgrade What Mr Primakov's abor- have hardened their positions since Nato air strikes began and the rift between

WORLD FOOD PROGRAMME INTERNATIONAL RELIEF EFFORT URGED MILITARY TACTICS BUDAPEST EMBARRASSED OVER 'ATTACK'

Starvation threat grows Confusion in Hungary

People are expected to be starving in Kosovo within 10 to 14 days unless an international relief effort can be mounted, the World Food Programme (WFP), the food Bertini. That amounts to aid organisation of the almost a quarter of the popu-United Nations, warned ves-

Catherine Bertini, WFP executive director, said that, as a result of the conflict. the internal food distribution system in Kosovo had broken down. The food crisis inside Kosovo was expected to worsen, and it threatened to become a long-term problem as no harvest was expec-

The WFP said a resolution of the conflict remained only a distant prospect, with fighting likely to continue in 1999. Any peace deal was

FRANCE

SWEDEN:

London SE! 9HL

problem. Before the escalation of the fighting and the start of Nato bombing, the WFP had been attempting to feed up to 420,000 people in Kosovo who had been forced from their homes, said Ms

Since WFP staff and other international aid workers ovo, their warehouses in the province had been looted and tonnes of food lost.

into Kosovo were being investigated but air drops because the low-flying aircraft would be targets for

lation.

were withdrawn from Kos-Other ways of getting food

had been ruled out, both because it was impossible at the moment to locate people forced from their homes and Serb guns. No reports of starvation in Kosovo had

Ms Bertini said the WFP remained confident it could feed the tens of thousands of refugees who had flooded across the Kosovo borders into neighbouring Albania, Montenegro and Macedonia, but she appealed to the international community to supply more aid.

achieve that.

As the humanitarian crisis worsened, aid agencies estimated that around 100,000 ethnic Albanians had fled Kosovo in the last few days, with around 70,000 pouring into Albania, Europe's poorest country, 20,000 into Mac-edonia and 10,000 into Montenegro. The WFP said that a further 30,000-80,000 refugees were expected to flee to Albania.

"This is just the beginning of a potential humanitarian ment into Kosovo would catastrophe and we are gearing up to prepare for the Hungary. Defence ministry worst," said Ms Bertini. sources suggested the

constitution, arguing these

conferred statehood on the

province. Mr Milosevic's

statement on Tuesday was

too brief to give any indica-

tion of a shift on these sec-

Nato's final objection to

Mr Milosevic's overture was

over refugees. The Yugoslav

people could return, a

phrase that leaves ample

room for interpretation. A

more serious hindrance to

return is the way in which

Yugoslav border guards

have been taking passports

and identity cards off refu-

gees as they cross over into

Albania and Macedonia. If

refugees do get back, they

could have difficulty re-es-

tablishing title to their prop-

ondary matters.

The Hungarian government has found itself embroiled in an embarrassing dispute over the Nato air strikes in Yugoslavia after its defence minister was quoted as saying any ground attack on Kosovo would be launched from Macedonia, not Hun-

gary. The remarks came around the same time that George Robertson, the UK defence secretary, was assuring reporters that a ground operation in Kosovo was out of the question because of the number of troops required.

János Szabó, the defence minister, was quoted on television on Monday as saying that any ground troop movecome from Macedonia, not sources suggested the

reporter had been confused, but the situation was exacerhated on Tuesday when István Simícskó, head of the foreign affairs section of the governing Fidesz-Hungarian Civic party, defended Mr Szabó's remarks, saying nobody could believe the situation would be resolved by

air strikes alone. That in turn has prompted Viktor Orbán, prime minister, to attempt clarification. He told a press conference the third stage of attacks would not include ground attacks. He also pointed out that the plans for the third phase were secret, so it was hardly surprising if different ideas about what it would include were being circulated.

Nato officials have been quoted as saying the affair is a result of a "communica-

embroiled in the problems of neighbouring Yugoslavia almost immediately after becoming a Nato member on March 12. One western diplomat described government officials and ministers as "shell shocked" at the baptism of fire they were receiv-

ing into Nato membership. In that light the apparent confusion in the government was hardly surprising. The air strikes have caused concern in Hungary because the 340.000 ethnic Hungarians in Serbia's northern Vojvodina province are thought vulner able to similar Serbian attacks to those being mounted on the ethnic Alba-

nians in Kosovo. Rungary has had to formulate a policy of allowing Nato access to its air space for operations, but of not becoming involved itself.

GERMAN PACIFISM LEADERS AGREE MEETING TO DISCUSS OPPOSITION TO AIR STRIKES

Greens face prospect of defections

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GERMANY. Germany's Green party faced growing defections Responsible for Advertising content: Colin A Kennard, Printer: Hürrivet International Verlagsgesellschaft mbH, Admiral-Rosen-fahl-Strase J., 67263 Nen Isenburg ISSN 0174-7363. Responsible Editor: Richard Lambert, clo The Financial Times Limend. from grassroots members vesterday due to opposition to its support for the government's military involvement in Yuguslavia. The growing rift prompted

party leaders to agree to a Pakisking Director: P. Maravaglia. 42 Rue La Boetz, 75008 PARIS, Telephone (01) 5376 8254. Fax 1011 5376 8253. Printer: S.A. Nord Eclar, 1521 Rue de Caire. F-99100 Roubant Ceder I. Editor: Richard Lambert. ISSN 1148-2753. Commission Pariture No 67808D. special meeting with regional party representatives next month to discuss policy on Kosovo, following this week's stepping up of Nato air strikes. Party Responsible Publisher: Bradley P Johnson.
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S-550 48. Janköpung.
O The Financial Times Limited 1999.
Ednor: Richard Lambert, clo The Financial
Times Lunned, Number One Southwark
Bridge Longen, SEI 2846. organisations in four lander had called for a full party

conference. Hans-Christian Ströbele, a Green member of parliament, called on the "Red- both causes. Others, how- party colleagues as a all sides endeavoured to dis-Green" coalition government ever, have pointed out "warmonger", warned that suade members from leav-

dissociate itself from the rights as in pacifism. "There's endless unease in the whole party". Greens' support for German

week by Antje Radcke, the Greens much greater influparty's co-leader, that Nato ence on policy than remainshould halt its military ing in opposition. Ms Radcke strikes and return to the said the Greens would negotiating table. Many leading Greens are ment so long as they could

worried a prolonged or influence policy to end the intensified conflict in Yugo- conflict. slavia could split the party. The Greens' origins lie in the focused on Joschka Fischer, environmentalist and paci- a leading member of the but he hoped they would fist protest movements of Greens' "realist" wing and the 1970s, and many mem- now foreign minister. Mr bers remain committed to Fischer, vilified by some of Social Democrats and the Greens' origins lie "any weakness in Nato ing.

environmentalist Greens to as much in defending human would strengthen Milosevic". Party leaders backing the Greens' foreign policy

military involvement have spokesman, said this week The remarks by Mr Strö- tried to defuse the crisis by that parliament would have bele, a leading Green paci- arguing that participating in to face approving the deployfist, followed comments this government gives the ment of ground troops if Nato thought this was necessary to stop ethnic cleansing in Kosovo. Green members of the cabremain part of the govern-

inet, such as Mr Fischer, are likely to face a grilling at the special party meeting. Uli Cremer, a prominent pacifist The pacifists' anger has in the party, said ministers would not be asked to resign alter their positions.

In spite of their differences, leading Greens from



Antje Radcke: urged talks

NEWS DIGEST

FRENCH UNEMPLOYMENT

Downward trend in jobless suffers setback

The steady downward trend in French unemployment was jolted in February by a 0.3 per cent increase against the previous month. Figures released yesterday by Insee, the official statistics institute, showed the number of people seeking work rose 7,900 in February to 2.9m. it was only the second time in 18 months that the jobless total had

The employment ministry sought to play down the significance of this change, calling it "a slight slowdown in the generalised reduction of unemployment". In 18 months, the unemployment rate has fallen a full percentage point. and 270,000 jobs are expected to be created this year. But analysts said the February data pointed to a weakening of the job market in industry, which was most affected by the emerging market crisis. The main explanation for the February figures was the ending of a number of temporary job contracts. Robert Graham, Paris

GERMAN TRANSPORT

Bonn approves new airport

The German cabinet yesterday gave final approval for the construction of a new international airport to serve Berlin and the Brandenburg region. The project, based on the existing airfield at Schönefeld, one of the city's three airports at present, should be ready by 2007. The airport is

In a significant break with practice, the new DM6bn (€3bn, \$3.2bn) Berlin-Brandenburg airport is being financed as a private venture, in which the Hochtief building group will take a large stake. Some bankers believe the project may encourage other local authorities to consider partly or wholly privatising their airports to raise money and help fund future investment.

The prospect of such deals has attracted keen interest from leading international banks and potential investors. Heig Simonlan, Berlin

CREDIT LYONNAIS

Italian financier sentenced

Giancario Parretti, an Italian financier whose Hollywood dealings played a part in the downfall of France's Crédit Lyonnais bank, was sentenced in absentia to four years in all by a Paris court yesterday.

Come into face in

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The court found Mr Parretti, already convicted and fined \$1.5on by a California court in 1997 while on the run, guilty of fraud after buying Hollywood's Metro-Goldwyn-Mayer film studios with loans from the French state bank

Crédit Lyonnais, about to be privatised after recovering from ruinous investments, including the loans on which Mr Parretti ended up defaulting, has been pursuing the Italian businessman since the early 1990s.

The court also renewed an arrest warrant issued in 1995 and Imposed a fine of FFr1m (€152,000, \$160,000) on Mr Parretti, Three former business partners, present for the ruling, were fined smaller sums and got auspended prison sentances. Reuters, Paris

SWISS GOLD RESERVES

Bank nearly doubles loans

The Swiss National Bank, which controls the world's third biggest gold reserves, nearly doubled the amount of gold At the end of 1998 it had outstanding gold loans of 187 tonnes compared with 99 tonnes at the end of 1997, its first year of gold lending. The sharp increase in the SNB's gold lending operations is a further sign of changing Swiss attitudes towards gold. Until very recently Switzerland opposed the sale of gold by central banks and the Interna-

tional Monetary Fund. However, it has dropped its opposition to IMF gold sales and its electorate will vote on April 18 on a new federal constitution that will sever the Swiss franc's tie to gold. If passed this will clear the way for the start of Swiss gold sales next year which could eventually lead to the disposal of up to 1,400 tonnes of gold, or half the country's gold reserves. The SNB's gold lending transactions are part of an effort to use its gold reserves more efficiently. The SNB earned SFr42.6m (\$28.7m) from gold lending in 1998 compared with SFr2.6m in 1997. William Hall, Zurich

DEFENCE MINISTRY REPORT

Polish military lacks supplies

Poland's deputy defence minister described as "shocking" a confidential report criticising the Polish military for lacking reserve ammunition and spare parts and attributed it to

poor budgeting, a spokesman said yesterday. Excerpts of the report published in the Gazeta Wyborcza newspaper, said military supplies covered only 30 per cent of the Polish troops' needs, which forced them to use wartime reserves for current training.

The shortages result from the "the practice of using

reserves by some army units when they lack funds for cur-rent training", said Romuald Szeremietiew, deputy defence

The report, prepared by the defence ministry, said 45,558 rounds of ammunition for heavy artillery used by the Polish Army would last only four days of combat. Nato, which Poland, the Czech Republic and Hungary joined on March 12, requires 30 days of military reserves, Gazeta said. AP, Warsaw

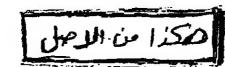
KOSOVO AID

Hague seeks help for refugees

William Hague, the UK Conservative party leader, yesterday urged the government to match any funds raised by charities to ease the plight of the thousands of Kosovo Albanians seeking refuge in Macedonia, Albania and Mon-

In a letter to the prime minister, Mr Hague welcomed the £10m (\$16m) of additional aid already promised by the government but said it had "a responsibility to do more". Tony Blair, UK prime minister, speaking in parliament, promised to consider the request, which is one of the earliest manifestations of Mr Hague's version of "Caring Conservatism". Mr Haque has been trying to soften the Tories' image following his meeting with Texan governor, George W Bush, inventor of "Caring Conservatism" as a concept.

Mr Hague has also attacked the government for falling to make greater preparations for the refugee crisis before the start of the Serbian bombing campaign. However, Clare Short, the overseas development minister, said it would have been "an appalling act of complicity in ethnic cleansing" for the government to create camps prior to the Albanian flight. She assured MPs the government would allocate further funds "over the coming days as needs become clear". Robert Peston, London



Greece is prepared to take stional measures, including inflation to within 1.5 per-den. exceptional measures to extra [indirect] tax cuts if centage points of the averreduce the average inflation necessary, to make sure of age in the EU's three lowestthe level required to qualify get on inflation," the official for euro membership in January 2001, a senior government official sald yesterday.

Rising oil prices on international markets and sharp price increases by Greek taxes, value-added tax on manufacturers and importers are expected to raise inflationary pressure in the

second half of the year. Despite falling interest rates and low growth in labour costs, "manufacturers and traders have raised vergence targets, opening Greece's average inflation profit margins significantly the way for the European rate would fall to 2.1 per

MSF'S!

32 March 1987

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HOVES THE

added.

Such measures would investment in the final quarter. Cuts last year in fuel electricity and the special consumption tax on new car purchases have reduced the December. yearly inflation rate by about 1 percentage point. Greece aims this year to fulfil all the Maastricht con-

"We're ready to take addi- next year. But reducing Denmark, France and Swehardest to achieve.

include deep cuts in public government's forecast of an average inflation rate this year of 2.5 per cent. Year-onfall from 3.7 per cent in February to 1.9 per cent in

According to the EU's harmonised inflation rate, which excludes education and some health costs. to exploit a surge in Commission to approve its cent compared with a proj-

entry to the euro-zone early ected 0.6 per cent average for

Greece's budget deficit last rate this year to 25 per cent, hitting the convergence taryear fell to 24 per cent of below the 3 per cent of GDP This week, the European convergence ceiling. The Commission endorsed the public debt, while still well GDP Maastricht guideline. shrank by 4 percentage year inflation is projected to points to 105 per cent of

> This level of public debt is lower than that of Italy and Belgium, both euro-zone decline by another 8 percentage points of GDP this year. meeting the Maastricht requirement of a steadily

Finnish party chiefs meet today to hammer out new government

Paavo Lipponen, the Finnish expected to begin intensive talks with rival party leaders in an attempt to form a new government after last badly weakened by losing 12 month's inconclusive general election.

The move follows Mr Lipponen's appointment yester- to reach an accommodation day as Finland's caretaker prime minister by Martti one of its partners in the pre-Ahtisaari, the country's vious five-party coalition, it

Mr Ahtisaari asked him to

in the 200-seat parliament. Social Democratic party (SDP) emerged as the single largest parliamentary group with 51 seats following the election, its power base was

Conservative parties. If the prime minister fails port. with the Conservative party,

Although Mr Lipponen's government took shape.

more constituency votes than any other party leader. is expected to call on the SDP to drop plans for a new tax on dividends and seats to the rival Centre and increased corporation tax as

But such demands could provoke strong opposition from the Leftist Alliance and Green parties, which took could clear the way for a part in the previous "rainalso divided on the need for

, we have seen in decades. Mr Nimisto, who won The small parties could nore constituency votes prove crucial, said one civil servant, who declined to be

hard to persuade the Centre party, led by former prime the price for his party's sup- minister Eako Aho, to join a grand coalition after accusing it of adopting "anti-European policies" and making uncosted spending pledges. .
The Finnish president has

not expressed any opinion "It is up to the parties to

Mr Lipponen would find it.

find consensus on a pro-

gramme," he said.

we are, says Maslyukov

Yuri Maslyukov, Russia's most senior economics minagency, makes a startling observation about the International Monetary Fund.

"The IMF is more socialist than we are," he chuckles. Mr Maslyukov's comments are prompted by the IMF's

insistence the government wring more taxes out of Russia's capitalist monopolies to increase pensions and wages of state employees. The IMF fears the govern-

ment might otherwise come under posustainable pressure to print money, given the forecast 40 per cent fall in the population's real incomes this year. In earlier discussions with

the IMF, Mr Maslyukov had argued for a cut in corporate taxes to stimulate investment in the "real economy". But he says he has since been persuaded of the justice of the IMF's arguments.

"We need to increase the income part of the budget by Rbs10bn (\$374.5m)," he says. "The extra burden should be placed on our natural monopolies, that is Gazprom, UES, the transport and oil companies."

Only if the government can show its seriousness about raising more taxes will the IMF conclude its agreement to provide Russia with extra funds this year. Michel Camdessus, IMF managing director, this week agreed an outline deal, but details about the new loans have to be hammered out by an IMF mission in Moscow

unist background will assure him a vital role in the battle with parliament Af But the current governhis former colleagues, who form the biggest parliamenment, like all previous post-Soviet governments, is more tary faction. beholden to Russia's corpo-For this reason, Yevgeny

Primakov, the prime minisrifice his first deputy prime minister despite almost daily calls for his resignation. Mr Maslyukov's many critica depict him as a Commu-

ment), which seems in no mood to accept a western nist dinocaur who does not economic diktat after Nato's understand how a modern bombing of Yugoslavia. market economy works. The In the battle with parliaformer state planner still ment, Mr Maslyukov will believes the government should play a central role in play a vital role. As an ex-Communist party MP, he running the economy.

rate behemoths than to the

voiceless poor. The proposed

new IMF programme will

require new tax laws and

budget amendments to be

adopted by the Duma (parlia-

speaks the same language as

opment bank, now being formed, will become a "key instrument" for increasing industrial production.

He also warns that more aggressive bankruptcy prothe World Bank could create

more problems.
As President Borls Yeltsin observed this week. Russia has created a "freakish" economic model, half-way between the plan and the market. Who better to understand this world than a former Gosplan man who believes the IMF to be too

(S) EQUANT

new government led by Sauli bow coalition". The Greens on the complexion of a new continue in office until a Niinistö, the Conservative and the Conservatives are workable administration party leader. Government officials said a fifth nuclear power station could be formed from the nine parties that won seats the negotiations could last at in Finland. Amsterdam treaty will

come into force in May

By Michael Smith in Brussels

The European Union's asylum and immigration. Amsterdam treaty is to come into force on May I after Paris notified EU authorities of French acceptance. Prodi, nominated by EU heads and the parliament to ratify.

The treaty confirms the growing authority of the European Parliament by giving it the power to veto the appointment of a Commismend legislation in a range of areas. It also introduces an "area of freedom, security and justice", allowing for the progressive introduction of sures in ensure the free movement of people and

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The May 1 implementation

date has a limited effect on uary. the appointment of Romano Commission president in the wake of the Commission's resignation this month after damning criticism of its

it with the right to block or in April, before Amsterdam rejection of him then, considered highly unlikely. would force a rethink by

government heads anyway. Prime ministers do not want to provoke parliament

CONTRACTS & TENDERS

MEDITERRANEA SVILUPPO - VIA VITTORIO VENETO 60 - REGGIO CALABRIA

Turno port, in areas equipped with infrastructures, with reference to: 1) Manufacturing companies as described under sem D of the ISTAT entergories

Counter activities which are different from those of the national post offices

Therer of other means of road transport (including the charter of containers)

Ocean transport (transport of passengers and goods unone domestic and European ports)

Theorie traffic concerning sea transport

Activities of the other transport agencies (shipping agents and customs brokers, forwarding agents)

2) Service companies as per Ministerial Decree dd. 20.11.1997 3) Supply of service connected with the harbour activities:

D Sea Transport (ocean transport of passengers and goods)

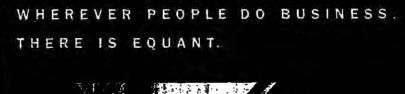
I Refrigerator warehouses for third party's account

establishing common rules and will, in any case, need on external border controls, parliament's approval later this year for Mr Proof to con-

Separately, government appear divided on when the Commission to serve with Mr Prodi should be appointed. José Maria Gil-Robles, par-

liament president, has said Parliament intends to vote - he wants a new Commis sion president and providing on Mr Profil's appointment to be approved by this parliament, whose term of office comes into effect. But a finishes in June when new elections are beld.

However, most heads of government would prefer the new parliament to approve the replacement Commission





4:13 p.m. Houston. The world is waiting. From here, your ships, hundreds of

ships, soil to Africa, the Middle East, Asia, Latin America, the United States and Europe. From here, you must follow them every step of the way. You must know pickup and locations, precise times and dates. Your consignment and container data must be perfect, your logistics network flawless. The world is waiting. Will you deliver? You will if your network is Equant. With LAN Access Services like Frame Relay, X25 and X28 dial-up and IP-based FreightNet. our Network Solutions let you tap into 220 countries and territories. Securely, Instantaneously. So you never lose sight of your cargo, even thousands of miles away. All because we own and operate the largest private network on earth. For data, voice, video, internet and intranvi-Equant has your world covered:

COMPREHENSIVE SUBSIDY FOR THE INCENTIVE OF THE SMALL AND MEDIUM-SIZED ENTERPRISES IN THE GIOIA TAURO CRISIS AREA dedicerrance Sviluppo is the Intermediary Body of the Comprehensive Subsidy. The secondary measure 2.2 of the Comprehensive Substity provides the incentive of investments made in the industrial area of the Giota Other activities connected with transport on water iport and pier management, pilotage and anchorage,

Charter of means of transport on sea and rivers To Product tests and technical analyses Quality control and product certification Packing activities - --The benefits are granted as specified here below: activities as per item (), 2) and 3) provided that they are closely related with the port Small and Medium-sized enterprises; 50% in NGE, = 15% in GGE Big enterprises: 50% in NGE activities as per item 1) and 2) which are not related with the post: Small and Medium-sized enterprises 50% in NGE -10% in GGE Big enterprises: 45% in NGE The minimum contribution threshold is 0.25 Mecu, the maximum threshold is 5 Mecu The provisional granting will be made within 31.12.1999, the balance must be paid within 31.12.2001. The disbursement can be made fully at the end of the operation, or in a maximum of three payments as follows: Distribution, equal to 40% of the assigned contribution, after the investment has been made 2) a rate equal to 40% of the assigned contribution, against presentation of documents concerning expenses not lower than 50% of the total acceptable cost of the investment. 3) final balance of the remaining 20% (or the remaining 60%, in case only the advance has been requested). The distursement as under 1) and 2) must be accompanied by an unconditioned bank or insurance fide justicy policy applicable at first call by the Mediterranea Svihippo, of an amount that will be adapted to the value of each issued contribution, which will be cleared at the conclusion of the intervention. The deadline for submitting the applications has been established as 14 May 1999 at 12.00 a.m. The guide, rules and application forms can be requested from: MEDITERRANEA SVILUPPO Via Vittorio Veneto, 60 1 89 ET | Respio Calabria Tel +39/0965/818614 hip://www.msviluppo.it e-mail: mediterranea@nisvifuppo.it For information please contact: FINCALABRA tel. +39/0961/77/0775

ECONOMIC ASSESSMENTS FISCHER SAYS BRAZIL MEETING TARGETS WHILE RUSSIA NEEDS REFORMS

IMF praises Brazil, warns Russia

The International Monetary Fund said yesterday the Brazilian economy was moving toward stability, but warned that the Russian government needed to introduce a wide range of politically sensitive reforms before a new loan package would be approved

Stanley Fischer, acting managing director of the IMF, said Brazil had met its fiscal targets for the last quarter of 1998 and appeared to be "better than on track" in the first quarter of this

In contrast, Mr Fischer

Robin Allen

oil reserves and about 15 per

Its 150,000 citizens are a

pampered minority in their

own country. They pay no

tax, "nor will they in the

near future," says Mr Yousef Hussein Kamal, Qatar's

They enjoy cradle-to-the-

grave welfare handouts and

electricity and water are

free, aithough the govern-

ment is considering commer-

cialising these sectors "in

the next six months" to save-

dents enjoy annual per cap-ita incomes of almost

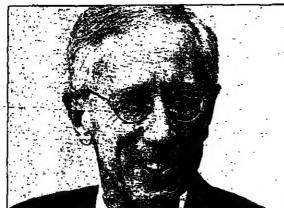
\$18,000, among the highest

Exclude the expatriates,

The estimated 522,000 resi-

cent of gas reserves. - -

finance minister.



ranging series of negotiations before the IMF would approve any new loans to

prevent the threat of national bankruptcy. Mr Fischer also delivered a

Japanese economy, saying early indications are that he expected "even less inflation is coming in at levgrowth" in 1999 than last year, and that "it would cer- that this devaluation is feed-In an interim report last tion." Mr Fischer said at a expected Japanese growth to after a 2.8 per cent fall last

In Brazil, inflation rates were "better than expected", jectory they are on now, the calming fears that the devaluation of the Real in January would trigger a revival of inflation through indexa-

downbeat estimate for the tion under control and the est rates.

the Fund had agreed "neiels which are very consistent with the Russian governtainly be no more growth ing through into price levels, ment, despite reports of a than we expected last time." but not into ongoing infla \$4.8bn package of loans agreed in Moscow this week. meeting with reporters. There is a lot of detailed

"If the inflationary perforwork to be done and there decline 0.5 per cent this year mance continues to remain are undoubtedly prior actions to be taken," he said, good, it is reasonable to expect nominal interest "We have agreed on a framework, we have not agreed on rates to decline. On the fra-He added that the IMF had issues of unstable debt

dynamics that concerned the relaxed its negotiating stance on a Russian primary markets for so long should budget surplus (before interest rates) of 3.5 per cent, because it would have resulted in "unrealistically large cuts in pensions" and civil service salaries.

most of its public debt, is

So long as prices for natu-

ral gas are tied to the price

of oil. Qatar's economic

future depends, first, on the

good behaviour of Opec

states which previously have

helped to drive prices down

by cheating on their quotas

and, second, on economic

recovery in Asia, far and

away Qatar's most impor-

causing some concern.

UN urged to allow foreign investment in Iraqi oil

By Routa Khalaf, Middle East Correspondent, in London

A panel set up by the United Nations Security Council to study the humanitarian situmended that foreign companies be allowed to invest in irag's oil sector to raise the country's export capability, diplomats said yesterday.

The panel, made up of four senior UN officials, was one of three established by the Council with the aim of formulating a new policy on Iraq, following last December's US and British air raids and the policy divisions among the five permanent Council members.

It found that Iraq had moved from relative affiluence to poverty since sanctions were imposed. Literacy rates had dropped from 75 per cent eight years ago to 53 per cent today; infant mortality was now the highest in the world.

While it did not urge the eight-year-old UN sanctions tial easing would let foreign companies invest in the oil sector, and other industries battered by sanctions.

Diplomats said the panel made clear that the oilfor food programme, allowing Iraq to sell limited amounts of oil to buy humanitarian goods, was inadequate, "The humanitarian situation in Iraq will continue to be a dire one in the absence of a sustained revival of the Iraqi economy, which in turn cannot be achieved through remedial humanitarian

The recommendations were welcomed by France, which, with Russia and China, has called for a lifting of sanctions. Diplomats said yesterday that the US and Britain were likely to oppose proposals for investments in

efforts," the panel said.

are likely to disagree over their reading of the results of the 20-member disarmament panel.

Aid agency officials close to the UN said it recomdisarmament be moved to a reinforced monitoring and verification phase meant to ensure Iraq did not redevelop weapons it had elimi-

The panel said intrusive inspections would have to since the bulk of disarma ment work had been finished, but important issues remained to be settled.

Analysts said this would provide the US and Britain with ammunition to argue that sanctions on Iraq should remain in place.

The panel suggested that Unscom. the UN commission charged with Iraqi disarmament, should be restructured. But it did not call for abolishing the commission and setting up a new one, as countries sympathetic to Iraq on the Security Council have wanted.

Analysis said the disarmement panel failed to produce recommendations that might entice Iraq to agree to the return of inspectors. The panel said it was up to the Security Council to find ways of convincing Iraq to resume co-operation.

It warned, however, that the longer inspection and remained suspended, the greater the risk that Iraq might reconstitute its proscribed weapons programmes or retain prohibited items.

A third panel reporting to the Council this week dealt with Kuwaiti prisoners taken by Iraq during its 1990 invasion. Its findings are believed to have been that Iraq has yet to give adequate information.



policy until they get infla-

not arise. Mr Fischer said the Brazil-"There is an intention to ian authorities "would not sustain a strong monetary hold off longer than they

need to" before cutting inter-



ship can be overcome. To make these investments, however, Qatar has had to borrow heavily.

Its foreign debt stands at \$5.6bn. or 92 per cent of GDP, which does not worry foreign bankers overmuch. so long as Qatar's ruler. Sheikh Hamad Bin Khalifa al-Thani, is in good health and the US is ready to protect Qatar's external secu-

CONTRACTS & TENDERS



DIVESTITURE OF STATE-OWNED ENTERPRISES MIM TIMBER COMPANY LIMITED

The Government of Ghana, acting through its agent the Divestiture ▲ Implementation Committee ("DIC"), hereby invites interested persons to submit bids for the acquisition of the assets of Mim Timber Company Limited (MTCL).

ENTERPRISE PROFILE

MTCL is a 100% state-owned limited company located at Mim in the Brong Ahafo Region. The company was originally established as a sawmiller and raw timber producer but under Government of Ghana control it has become a manufacturer and exporter of processed wood products. The Company's principal export market is to the European Union countries where it has a solid reputation for quality of product and reliability of supply.

BID INFORMATION

Bid documents (including detailed bid procedures) will be provided to interested persons upon return of DIC's standard form confidentiality undertaking, duly signed, and payment of the appropriate fee. Bids from persons who do not comply with these requirements will not be accepted. Completed bids must be delivered to DIC on or before 1700 hrs (GMT) on Friday, May 28, 1999.

Interested persons should contact:

EXECUTIVE SECRETARY

Divestiture Implementation Committee F35/5 Ring Road East, North Labone P.O. Box C 102, Cantonments Accra, Ghana Tel: (233-21) 772049, 773119, 760281

Fax: (233-21) 773126 Email: dicgh@ncs.com.gh

Some of the richest people on earth find it's time to tighten their belts Low oil revenues and average Qatari incomes, from an estimated gross cit, the government can are hitting the Qatari either tap its hidden domestic product last year of budget, reports reserves, on which Mr \$9.3bn. are more than \$60,000

eeling the pinch is a relative term for Qataris. A from the citizens of Kuwait tiny Gulf Arab state, one and the United Arab Emirates (UAE). quarter the size of Switzer-Mr Kamal says, however, land, Qatar is one of six members in the club of monthat people are ready to sacarchies which together own rifice some of their benefits, 43 per cent of proven global although he admits the

a year; twice as high, accord-

ing to the World Bank, as

any other country apart

\$1.5bn. The latter option would depend, says Mr Kamal, on the terms. asserts confidently, "our savings are mostly to come

be twice what it is today." Thanks to its offshore from greater operating effifields of natural gas, which 'By 2003,' Mr Kamal asserts

Kamal is silent; or go to the

international markets for a

sovereign loan of up to

confidently, 'our gross domestic product will be twice what it is today'

Under his 1999/2000 budget, which comes into force is to be cut by nearly 10 per cent; and, with revenues forecast to be almost 15 per cent lower than last year. the budget deficit will be more than 10 per cent of GDP and nearly 35 per cent

cover an area as large as the country itself, and its relatively limited domestic consumption. Qatar's public finances are in a less parious state, and its prospects for recovery brighter, than those of its giant neighbours Iran and Saudi Arabia. There, soaring energy consumption and antiquated

To bridge the budget defi- put state coffers under serious strain.

> Ontar has twice the natural gas reserves of either Saudi Arabia or Abu Dhabi and, unlike these two, all its gas is clean and easy to exploit. Neither sweet gas nor condensates are limited by Opec production quotas.

> But the investment costs have also been massive -\$10bn, according to energy minister Abdullah Al-Attiyah, for the on- and off-shore installations of the two joint ventures. Qatar Liquelied Gas Company (Qatargas), of which the government owns 65 per cent, and Ras Laffan Liquefied Natural Gas Company (Rasgas), a 70/30 joint venture with Mobil.

> Within six months these two will be exporting more than 11m tonnes per year to Asian markets. India and the UAE have already signed memorandums of understanding for additional sales and purchase agreements. Qatar's reserves could also

> be used to supply a Gulf gas grid, on condition that deep-seated animosities felt by neighbouring ruling famitowards Qatar's leader

Qatar should have paid off

But the transition period, to the years 2004/2005, when









Deadline missed for choosing new chief

By Guy de Jonquières in London and Frances Williams in Geneva

 \cdots , j_{ℓ} , j_{ℓ}

World Trade Organisation members failed to meet their deadline last night for choosing a new director-general, amid bitter acrimony heightened by European Union accusations that the US was unfairly frustrating the selection process.

Ali Mchumo, Tanzanian ing general council, said the misation faced the threat of a leadership crisis. He said the delay "breeds rumours, suspicions and even puts personal friend-

try again to reach a decision was seeking instead to mar-

by April 14, after being shal a consensus in Mr believed he should be chosen uncommitted. Some EU govunable to settle on either Moore's favour. Supachai Panitchpakdi, minister, to succeed Renato

Mr Supachai is widely believed to have a narrow lead in the race. But Mr Mchumo said the difficulties facing both the Thai candidate and Mr Moore were so chairman of the WTO's rul- serious that neither could command a consensus public insistence that it except Sweden, favoured Mr among the 134 members. On Tuesday, Mr Mchumo

said objections by some unnamed members had made it impossible for Mr Supachai to achieve unani-WTO members agreed to mous support and that he

Sir Leon Brittan, EU trade basis". Thailand's deputy prime commissioner, yesterday garded in the selection pro- sion.

> US, despite Washington's that all their governments, would not block the That Supachal. candidate if he emerged as clear favourite.

consensus candidate and France declared itself originally of four candidates.

minister, or Mike Moore, a strongly criticised the failure cisms in a letter to Mr decision in Mr Supachai's former New Zealand prime to identify the countries Mchumo, as eleventh-hour favour by appearing to sugopposing Mr Supachai and efforts by the EU's 15 memsaid such "anonymous bers to unite behind a single vetoes" should be disre- candidate collapsed in confu- interests.

> EU ambassadors in Bruspected one of the countries statement by the EU's Ger-Officials said at least five

EU members, including Ger-US officials declined to many and Italy, said they respond directly to the EU still supported Mr Moore. allegations, saying Washing-ton was continuing to seek a prefer Mr Supachai, while

on a "no-vote and no-veto" erriment officials afterwards accused the European Com-Str Leon's voiced his criti- mission of trying to steer the gest that Mr Moore was too closely associated with US

down in early May. Failure EU officials said they sus- sels effectively rejected a to agree a successor by then would create serious probthreatening a veto was the man presidency on Monday lems for the WTO, as it prepares for a ministerial meeting at the end of this year that is widely expected to launch a new trade liberalisation round

WTO members have be trying for more than six months to agree on a new leader from a field consisting Britism Anonymous vets



Beating software piracy proves to be no soft touch

James Schofield reports from Lebanon on the

difficulties of protecting

intellectual property alid Kadi, owner of one of the largest soft-ware stores in Lebanon, picks up the invoice for the 28 computer discs piled on his desk. The originals would sell for between \$50 and \$150. But Mr Kadi has paid only \$1.70 for

"This is maybe the only place in the world where you have the choice to buy a copy or the original," Mr Radi says. "Look at the Microsoft Office 97 Professional. We sell it for \$7. We also sell originals for about \$200 to students and academics and for \$650 to everybody

cent of households have a monthly income of less than \$520, it is hardly surprising there are very few takers for the genuine article. The Lebanese government recently brought a new copyright bill before parliament that software manufacturers had hoped would make the thrive ese parliamentarian who

thing of the past. But before the law was passed, it was amended to allow students and educational institutions to make copies of original software for their own use.

As the experience of other countries in the region shows, solving the problem of software piracy is more than just a matter of legislation. While Egyptian copyright law is said to be among the better ones in terms of compliance with international standards, US-based copyright industries estimate that trade losses as a result of piracy in Egypt rose from \$54.8m in 1997 to

\$62.7m last year. They attribute the reverse to a lack of real improvements in fighting piracy and a failure to impose deterrent penalties.

Lebanese parliamentarians clearly had their own doubts about the law. When the government proposed the bill, it did so out of a conviction that failure to pass a copyright law consistent with the international Agreement on Trade-Related Aspects of Intellectual Property Rights (Trips) would harm its reputation.

Marwan Fares is a Leban-

"These amendments were compliant or not. There are make music CDs or comintroduced to stop science varying issues to be consid-being monopolised," he says. ered, but in no other country "I am a Christian but you do you have an exemption know what Islam says? for students." Nobody can own science. Who owns the Koran, the scriptures, the Bible - or sci-

ence? They belong to every-Nonetheless, Mr Fares says his concern was with

However, he believes the exemption is not a grave problem, since most computer users are going to be

"The other issue is students rather than the enforcement I can say that

Look at the Microsoft Office 97 Professional. We sell it for \$7.

We also sell originals for about \$200'

against international commerce and industry."

Walid Nasser, a lawyer specialising in intellectual now "absolutely not Tripsthat it is, nonetheless, a significant step forward in protecting intellectual property in Lebanon.

There are two issues, says Ashok Sharma, the regional

general public. "The banks as far as this area is conand other businesses will cerned, the real battle is not benefit. We are not starting now. The question is whether the Lebanese government is going to enforce

the law or not." Dealers say the software property law, says the law is manufacturers should explain the big price differcompliant," while accepting ential between original software and the raw materials used. "We know how much profit Microsoft is making," says Abdul Wahab Traboulsi, the owner of a small Beirut business dealing in

counters by claiming that affected by the new his company charges lower prices than its competitors. However, he says, the issue of price is actually irrelevant since computer pirates would never keep to a set

puter discs for a few cents

per copy, they should not be

overcharging for their prod-

Charbel Fakhoury, the

head of Microsoft's new

regional office in the capital,

price if they could get the product cheaper. "If the product was \$100 and then sold for \$20, for someone who did not respect our copyright even \$20 would be too much," he

There is another argument that says that Lebanon cannot afford to buy computer software at the prices paid by people in richer countries. To that, the copyright industry's reply is that Lebanese designers are going out of business because their

work is not protected. Jalal Fawaz is a Lebanese business partner for several larger American computer companies "Piracy is hurting us much more than it is afield - in Malaysia (\$196m) director of the Business Soft- software sales and network hurting Microsoft," he says. and Paraguay (\$298m).

ing trade in pirate software a proposed one of the two ware Alliance. "One is games. Mr Traboulsi says if He adds that Lebanon is amendments to the law, whether the law is Trips- software manufacturers can producing software to the value of about \$30m annually. But he says the indus try is being seriously threatened with extinction by

computer piracy. In one case, he recalls, a company which developed an engineering application found the software had been pirated after it had produced only a dozen copies. The company was forced to discontinue work. "When you expose your application to clients, no one respects disclosure agreements." Mr Fawaz says.

Lebanon ranks well behind some other countries in the region in terms of trade losses from copyright piracy. Total losses in Lebanon for 1998 were \$14.2m, slightly more than a 10 per cent increase above the 1997 losses of \$12.4m, according to the International Intellectual Property Alliance (IIPA), which represents those

industries. Trade losses from copyright piracy in Saudi Arabia amounted to \$38m last year. says the IPA. However, these losses pale beside those in Israel (\$141m), Turkey (\$225m) and - further **NEWS DIGEST**

REMEDIAL ACTION ON ACCESS SOUGHT

US ponders taking Japan telecoms case to WTO

Washington will consider taking a case to the World Trade Organisation about access to Japan's telecommunications market unless remedial action is taken by early in June. according to US government officials.

Charlene Barshefsky, the US trade representative, Issued the warning after releasing an annual review of foreign countries' compliance with telecommunications agreements. Ms Barshefsky sald Nippon Telegraph & Telephone (NTT) continued to charge high interconnection fees to other carriers wishing to offer intra-city services in Japan and complained about the Japanese government's ban against the use of leased lines by carriers already owning their own lines.

Japan's Ministry of International Trade and Industry (Mitt) yesterday released its own report on problem trade areas with other WTO members in which it mentioned three new areas of priority concern with regard to trade with the US, including Washington's reinstitution of the Super 301 trade provision. Gautam Malkani, Washington

INTERNET-BASED TELEPHONE SERVICES

AT&T in Shanghai accord

AT&T, the US telecommunications operator, yesterday signed an agreement to provide internet-bas services in the Pudong development zone in Shanghal. AT&T signed a framework agreement to offer internet pro-

tocal (IP) services in a venture with two Chinese partners. The contract will include a "virtual private network" in the Pudong district, a special economic zone in Shanghei that China has ambitions to turn into a leading financial

and information technology hub. William Daley, US secretary of commerce, on an official visit to China, observed the signing of the accord and said it would enable a foreign partner to provide telecommunications services in China for the first time. China had barred foreign companies from offering telecommunications services, though some have been operating as con-sultants or equipment suppliers. James Kynge, Belfing

EL SALVADOR AND HONDURAS

Deal on regional power grid

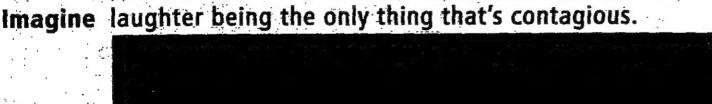
El Salvador and Honduras plan to build an electricity interconnection to provide Central America with its first regional power grid. The two countries have agreed to construct the link by 2001 with \$30m of financing from the Inter-American Development Bank.

Lack of an interconnection between El Salvador and Honduras has held up transfer of electricity throughout Central America, making it difficult to cover temporary shortages in some countries. A grid will make the region more attractive for foreign investment in new power generation projects. Several companies are already interested in building plants in El Salvador, which is also planning to privatise some state-run generating plants. The need for interconnection was highlighted in February when the largest power plant in Honduras, supplying half of the country's electricity, was shut after a fire. The country has partially covered the deficit with expensive imported power from southern neighbours. James Wilson, Panama City

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Banks find pain lingers after sting

By Henry Tricks and Andrea Mandel-Campbell in Mexico City

Right up to the moment when Mexico's Banca Serfin officially pleaded guilty to money laundering charges in a US federal court, it had two different news releases ready to fire off on the fax. One, announcing the guilty plea. The other saying it would stand trial.

It was hedging its bets to the end, indicating the toughness of a decision that would either slur it as a convicted drug money launderer US history, or drag it through a potentially even more damaging trial.

After much agonising, it pleaded guilty late on Tuesday in Los Angeles, as did Bancomer, another of They were fined \$500,000. In addition. Bancomer agreed to forfeit \$9.4m of ill-gotten gains, and Serfin gave up

The fines and forfeitures were just over half the \$25.9m seized from the two banks in the undercover US customs agents that was carried out without the knowledge of the Mexican government. They were not considered stiff penalties.

Nevertheless, the two banks are now convicted felons in the US, which could complicate their efforts to attract hadly needed invest. The harm done to their repu-

Carlos Ortiz Mena Lopez Negrete (far left), legal affairs director of Bancomer, and attorney Michael Lazerwitz leave Los Angeles federal court on Tuesday

investment in Mexico's three

Bankers say Grupo Financiero Serfin, which is parent from US authorities in to Serfin, Mexico's third return for co-operating with largest bank, may lose a further investigations into \$68m planned investment by the so-called Casabianca JP Morgan, the US bank, operation. US prosecutors key part of its efforts to stem a drain on capital in the wake of Mexico's 1995 financial crisis.

"Forever more in the history of money laundering, it these banks were convicted. eyed a US equity issue.

ment changed the banking federal prosecutor who pub-law to permit full foreign lishes, the Miami-based alties. It ended up paying Money Laundering Alert

The two banks, however, won some key concessions banks to escape a ban on operating in the US. Both banks have branches in the will always be said that US, and Bancomer has long

During the three-year They are also paying less ment from US institutions tations is catastrophic," said than even they expected. from 12 Mexican banks were

-in December the govern- Charles Intriago, a former Bancomer made \$20m in proalties. It ended up paying

just \$9.9m. A third indicted bank, Confia, which was bought by Citibank just days before the Casablanca bust, was forced to forfeit \$12.2m, the entire amount seized by US agents. But criminal charges against which had been considered a said they would put in a it were dropped on Tuesday, good word with the US Fed-eral Reserve, which was in government receivership expected to enable the two at the time its employees committed the crimes, orkas. US district attorney handling the case.

probe, mid-level employees

powerful drug cartels to due to start today. launder about \$60m through fictitious accounts. Some were arrested after being lured to a Las Vegas brothel. A total of 115 defendants have been charged.

The case strained US-Mexican drug co-operation because Washington failed to notify Mexico that the banks were under surveillance, fearing such a leak could have put their agents' lives at risk. In February, however, the two countries agreed to share information on ongoing investigations. and tensions have eased.

As part of their guilty pleas, both banks pledged to tighten safeguards against money laundering, even Mexico just prior to Casablanca were widely considered stiffer than US legisla-

The guilty pleas represent not only the culmination of the (US) government's efforts to hold the banks responsible for the ees, but also signify the government's success in ensuring that the banks join us in our efforts to combat money laundering," Mr Mayorkas mendous victory".

US authorities also said the banks had agreed to provide evidence to help in the conviction of six individual

persuaded by undercover selection in Los Angeles in agents posing as members of the cases against them was the cases against them was

Settlement of the case comes at an opportune moment for the two banks, removing a lingering uncertainty that had added to industry-wide woes over bad lending and a shortage of capital. "The banks have been fined, found guilty and it's over," said Lacey Gallagher, a sovereign risk analyst at Standard and Poor's,

For the banks, the harm done to their reputations is catastrophic

the US ratings agency Both banks said there were no risks to their existing foreign partners. HSBC holds a 20 per cent stake in Serfin and the Bank of Montreal owns 16 per cent of Bancomer.

Another banking analyst, Carlos Gómez of Citibank Global Asset Management said the end of the case would enable both banks to re-access international capital markets, though borrowing is difficult for private

"It is best that they settle this issue and just forget about it," he said. "More than anything it is an image

US factory. orders show sharp fall

Canada lowers

rate to 5 per cent yesterday

to boost domestic consumer

central bank has eased rates

without the US acting first,

writes Edward Alden in

Toronto, The one-quarter

percentage point cut had

been expected after several

inflation rate fell below the 1

per cent to 3 per cent target

Canada. The Canadian dollar

was unchanged at 66.2 US

range set by the Bank of

largely priced in the

anticipated cut, with

Canadian bond yields la

on short-term and long-term

issues. The Bank of Canada

raise overnight rates by a full

percentage point to stem a

was forced last August to

months in which Canada's

and capital spending, the

first time in two years the

in Washington

US factory orders fell at rate to 5% their fastest monthly rate in nearly four years in Febru- Canada's central bank ary, the Commerce Depart- lowered its benchmark bank ment said yesterday.

Weaker demand in the volatile aircraft sector helped push orders for manufactured goods down 2.5 per cent from the previous month to a seasonally adjusted \$340.5bn, following a revised 1.5 per cent rise in

The department also said the economy grew at a sea-sonally adjusted 6 per cent annual rate in the final quarter of last year. This was slightly down from the 6.1 per cent it had previously estimated for that quarter's yesterday. gross domestic product, but Financial markets had gross domestic product, but was ahead of the 3.7 per cent increase in the third quarter.

While the strong growth figure indicates the economy remains resilient, estimates of corporate profits after taxes fell by 1 per cent in the fourth quarter, the fourth decline in five quarters. For 1998 as a whole, profits fell 2.2 per cent, the first full vear decline since 1969.

Dave Huether, director of economic analysis at the National Association of Manufacturers, said figures for cate emergence of a downward trend because orders for big-ticket items vary widely. "Today's report may lead some to believe manufacturing is headed for troubled waters, the decline in goods. February's new orders was caused more by a rogue wave than a major economic

Some analysts believe the storm," he said.

future activity was unfilled The Commerce Depart-

ment said the GDP figure was driven by upturns in exports, producers' investment in durable equipment and the acceleration of consumer spending on durable

erated by a downturn in inventory investment, an acceleration in imports and Because new orders can be a slower consumer spending filled out of current produc- on services.

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Bankers see Colombia's forex market shrink

trying to fathom the logic behind a recent constitutional court decision which has unwittingly dried up the country's interbank and foreign exchange markets.

rary 0.2 per cent tax on ered in by the government

interbank market an impor- ombia out of recession tant source of short-term financing, to average daily volumes of 150bn pasos (\$96.4m) from 600bn pesos previously. It has shrunk the dollar market to a token \$30m a day from earlier levels of \$200m.

The virtual disappearance Three weeks ago, the court of the market poses new decided to extend a tempo- problems for the economy. The sudden lack of an interbank market has started to put pressure on interest rates, just when low-

High rates throughout last year are held mainly responsible for a 1998 GDP growth of just 0.2 per cent, the worst since 1942. The central bank and the

lower the rates in recent weeks, and have reduced benchmark rates by more than 12 percentage points since November.

Last week, the interest on the government's domestic ering them is considered bonds rose three percentage

government have worked to

in interest rates has petered

The decision comes at one of the worst possible times sector. Past due loans in the financial sector have risen to 12.1 per cent of total loans. against 6 per cent just over a year ago. The figure is now the highest in the region. Analysts fear the tax could

further widen the difference between borrowing and lend-The ruling has reduced the essential for dragging Col- points. Since the court's high at 8.1 percentage interbank transactions.

decision, the rate of decline points. In Chile, the difference is half that.

The decision hurts the banks, precisely the sector the tax was designed to for the country's financial help," said Stephen Edkins, senior analyst at Santander Investment's Bogotá office.

To counteract the decision. President Andrés Pastrana's government recently presented Congress with a proposal to extend the tax for a further 12 months, beyond its original expiry date of ing rates; considered too December, but to exclude

central bank's greater expansionary tack could "overshoot", transleting into future volatility on the exchange rate market.

from the constitutional

court's decision, has had to

adopt a more expansionary

onerous effects of the tax.

Yet while central bank directors defend their actions, they admit the future is not as predictable as they would like.

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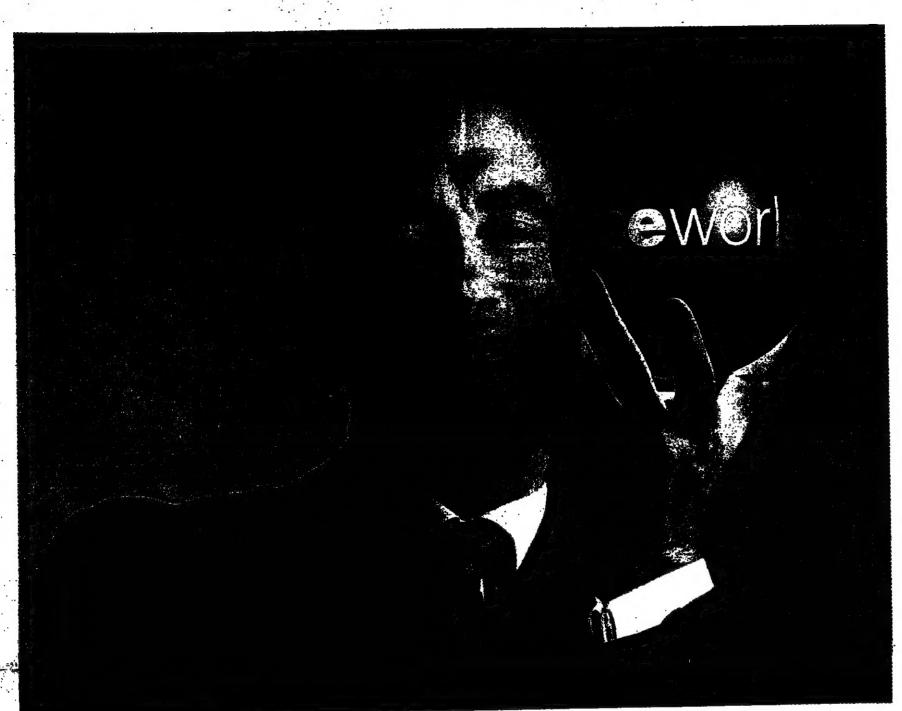
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Malaysia to tighten control over banking

By Sheila McNulty In Kuala Lumpur

Bank Negara, the Malaysian central bank, yesterday capital requirements of tier announced a series of measures to tighten control over the banking system as it ensure future expansion in revealed that the economy year, after recording 7.7 per cent growth in 1997.

Ali Abul Hassan Sulaiman, the bank governor, said that he hoped to formalise the measures by the end of the month and implement them soon after to fortify the sector hit hardest by Malaysia's economic recession.

The two biggest changes include reviewing the performance of bank directors and chief executives and sacking them if they are no longer performing, and separating into different holding companies banking institutions (which are supervised by the central bank) and non-banking institutions, such as securities houses, to keep problems in unsupervised entities from affecting the

designations for banks as it said the two-year perforencourages institutions to mance appraisal could make borrow to meet the higher companies respond. one institutions to gain cer- the banking system sounds tain advantages. It will

bank capital is funded by non-debt sources. And the bank will raise on-site examinations of banks, after encouraging self-regulation Economists supported the intention to strengthen the banking sector but noted

some of the measures would make it easier for the authorities to press banks to lend beyond their means or M\$7.7bm in 1997, Total bankto layoured entitles, even when a transaction does not look sound. They pointed to threats to sack the heads of financial institutions that did not meet 8 per cent annual loan

growth by year's end as an example of the type of pressure already imposed on banks in a desperate bid to revive the economy. The heads did not respond, with Bank Negara will elimi- system declining by 1.8 per

nate tier one and tier two cent in 1998. But economists

"Improved supervision of good in theory," said Kostas Panagiotou, senior economist at Kim Eng Securities. "But, at the end of the day, if you have politically directed lending, it defeats the purpose."

Economists say that type of lending made the banking system so vulnerable to the recession. It recorded a pretax loss of M\$2.3bn (US\$605m) in 1998, swinging from a pre-tax profit of ing system loans amounted to M\$413.6bn at the end of 1998, or M\$426.7bn including non-performing loans sold to the government's asset man-

agement company. The authorities plan to economy on fiscal spending The central bank said this would result in I per cent economic growth in 1999 but added that 2 per cent was total loans of the banking possible if external condi-

Beijing refuses to rule out Spratlys building

rule out the possibility of Estrada, who said after a building more structures on two-day confidence-building a disputed reef near the Phi- meeting with Chinese offilippines, contradicting assurances from Joseph Estrada, that Beijing had pledged not the Philippine president, to build new structures in that the two sides have the Spratly islands, a collecreached an accommodation tion of more than 200 islets on their biggest bilateral dis-

A senior Chinese official, who declined to be identi- celled a visit to China next fied, told journalists that the Mischief reef, which lies within the Philippines' 200 nautical mile exclusive eco- ling the visit," Domingo nomic zone, was an integral Siazon, foreign secretary, part of China. Any construc- said. fore Beijing's "sovereign Spratlys, over which it says

right", and nothing to do

The official's remarks ran counter to those of President cials last week in Manila and reefs that span the South China sea.

President Estrada had canmonth, the Philippine foreign ministry said yesterday. "We had problems schedu-

China's claim on all the

tive control for more than 1,000 years, ranks as its leading territorial dispute with other claimants in the Association of South East Asian Nations, including Vietnam. Malaysia and Brunei. Taiwan also has overlapping

claims with China. No dispute is more vigor ous than that with the Philippines.

China's construction of a multi-storey concrete building and landing platform as revealed by new photo-graphs this month - has incensed Manila and sparked calls for the renewal of a US-Philippine visiting force agreement which would bring closer ties to the Pen-

interest

By Ferhan Boldwri in Islamabed

commercial banks yesterday cut their interest rates to a maximum 19 per cent, from a 20-21 per cent range, to spur economic recovery.

The move followed days of speculation in the domestic financial markets that banks were under pressure from the government to cut rates, to help the economy recover from an almost year-long

"The five large banks have decided they will now cut their marginal mark-up [interest] rates from 20 per cent to between 18 and 19 per cent," said Shaukat Tarin, president of the state-owned Habib Bank, the larg-

The state-owned United Bank and National Bank of Pakistan, and the privately owned Allied Bank and Muslim Commercial Bank, were the other banks to join the

Mr Tarin said Pakistani interest rates were high because the banks had to compete with rates of up to 18 per cent offered to long-term depositors by govarnment saving schemes.

reviewing the various in Pyongyang. "I think schemes, he added, with an announcement possibly within weeks. But there was no indication of whether the schemes' interest rates

would also be reduced. Mr Tarin said that the 58 per cent rate of corporate tax for banks, compared with the 35 per cent rate paid by other companies, pushed up interest rates.

Business people were unimpressed by the move. They considered the 19 per cent rate as still high, and that the cut would have only a slight impact on the econ-Mr Tarin offered the pros-

pect of further cuts. "Mark-up rates could drop to 14-15 per cent. That's what we can see in the next few

Pakistan Indian minister urges banks cut more economic reform

By Mark Nicholson in New Delhi

Reform of India's labour laws, phased deregulation of currently protected small industries and other structural measures are needed to boost the country's flagging export performance, Ramakrishna Hegde, commerce minister, said yesterday during the ministry's annual trade policy review.

Mr Hegde revealed that India's exports had grown just 0.41 per cent in dollar terms in the 10 months to January - against an initial ministry forecast of 20 per cent growth for this year. Without providing export totals, he said exports had terms and added that the and foreign debt burden.

overall performance "should not be scoffed at" given the series of modifications to state of world and Asian markets in the past year. He declined to give an

export target for the coming year, commenting: "Once bitten, twice shy." The minister also said he opposed devaluing the rupee

as a means of spurring faster export growth - despite the claims of some private sector economists and exporters that the Indian currency is overvalued, "It is not a solution," he

said, noting that devaluing the rupee, which has held steady in a range around Rs42.4-Rs42.5 to the dollar for several months, would risen 12 per cent in rupee increase India's import bill

in north-east Asia.

trade policy in advance of India's new fiscal year, which began today. These included moves to cut export transaction costs and ease traders' bureaucratic burdens, for example, allowing

export applications to be filed by e-mail. The minister also said he would convert the country's seven Export Processing Zones, which enjoy infrastructural and fiscal benefits for exporting companies, into full Free Trade Zones, which would include exemptions from Indian labour laws. These zones would

eventually be corporatised. In line with India's World able to big exporters.



Remakrishna Heade: measures are needed to boost exports

Trade Organisation-based commitment to remove all quantitative restrictions on tury, a further 894 products would be moved from a current "negative" list of consumer goods imports to free trading. An additional 414 items will be moved from the banned list for trading under Special Import Licences, which are avail-

Korea missile talks deadlock

US officials yesterday warned that a quick solution to curbing North Korea's production and export of missiles was not in sight, as the two nations failed to make progress in the latest round of talks.

"It's a problem and will take a while to deal with," was the assessment of one The government was US official after talks ended North Korea has not given a of its right to self-defence nology, mainly to the Middle high priority to the talks."

and halt exports. North Korea has accused

the US abandons its "bosurgency after North Korea launched a long-range Tagtile" policy. Pyongyang has "agreed in podong-1 missile over Japan

last August, raising tensions principle" to suspending missile exports if it receives The US said it would not compensation of \$500m-\$1bn annually. The US has ease trade sanctions or establish diplomatic ties rejected the demand, though it offered to ease trade sancwith North Korea until Pyongyang agreed to abantions once the missile programme was mothballed. don its missile programme

North Korea has become the world's largest exporter the US of trying to deprive it of ballistic missiles and techand says it will not give up East, including Pakistan and

heavily dependent on missile rency," said the US official. During the Pyongyang talks. Robert Einhorn, US deputy assistant secretary of state for non-proliferation, warned North Korea it would suffer "serious conse quences" if it test-fired or

Who's the day in Lam

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200

dong missiles. The two nations agreed to arrange a fifth round of talks

exported medium-range

Rodong or long-range Taepo-

Japan market falls 4.2% on year

the 1998-99 fiscal year yester day at 15,836.59, down 4.2 per cent from the year before. But the close was considerably higher than the 13,406.39 achieved at the

halfway mark in September, and came as a welcome relief for many Japanese investors. The market's second-half rally has especially benefited many Japanese financial institutions, enabling them to improve the quality of their balance sheets by reducing, or even eliminating, their unrealised equity

"This will be a relatively comfortable level for many financial institutions," said Hidetaka Kawakita, general manager in the treasury and at Warburg Dillon Read. capital market department

It will further improve the position of the 14 big banks which have just received Y7,450bn (\$62bn) of public funds to boost their capital

In return for the capital injections, the banks have promised to restructure their asset quality. Many banks had assumed

a Nikkei level of around 13,000 in their plans submit-ted to the Financial Supervisory Committee. This has come as a pleas-

ant surprise for many banks. At this level most of them will see the unrealised losses on their equity portfolios disappear. Some will have unrealised gains," said Koya Hasegawa, banking analyst The distressed life assur-

because of the rally in banking stocks.

ber, total unrealised equity losses for seven of the eight top life assurers soured to Y1,609bn. Only the industry leader, Nippon Life, managed to retain Y1,170hn of unrealised profit.

But at these stock market levels, Kyoei Life estimated yesterday that its unrealised equity losses will have halved from the Ylllbn it announced at the end of the fiscal half year.

Chiyoda Life, another weak life assurer, said that the year-end Nikkei level was "better than expected". Another assurer said: "Compared to September 30. our unrealised equity position has improved by several hundred billion yen, largely

"Life insurance companies

rally has been especially gratifying."

The market shot up in the last months of the fiscal year, with the Nikkei 225 gaining some 10 per cent, or over 1,400 points, in March. The rally was supported by buying from foreign investors augmenting their hitherto underweight positions

in Japan. Conversely, some domestic institutions have been selling their domestic equity holdings. Nippon Life said it had been selling when the Nikkei level was above

15,000. "We are continuing to bring down our domestic equity weighting, though we would like to increase our holdings of future growth stocks. In general, our portfolio has more foreign assets

What looks good for Hokkaido now looks bad for Japan in the long term

Infrastructure spending is having short-term benefits, but may have the effect of delaying financial reform, writes Gillian Tett

ot many parts of Japan's ailing economy can report a labour shortage. The construction island of Hokkaido, however would appear to be one of

In recent weeks Hokkaido's construction companies have been flooded with so many orders that some are in the unusual position of struggling to find enough

"Since last year we have seen a shortage of staff," says Masatoshi Kanazawa. the Hokkaido chamber of commerce. "The problem is particularly acute with skilled workers for bridges

Such a tale might appear to be unexpectedly good news for Keizo Obuchi, the prime minister, given that the jobless rate in the rest of

But it also contains a crucial catch. For what has driven the sudden labour shortage in Hokkaido this spring is that the government is implementing a massive wave of infrastructure spending in an attempt to boost the economy. And though this has delighted Hokkaido's builders, what is equally striking is that it has not yet convinced local officials that a sustainable recovery has arrived.

"Government ministers Japan's economy, but we cannot share that optimism," says Mr Kanazawa.



kaido. "The trend in public investment is good. But we don't see any signs that this is creating a recovery in other private industries."

Such sentiments are particularly ominous for Mr Obuchi, given that during the last year Hokkaido has appeared to be a crucial test case for financial reform in Japan. The island is sparsely populated and accounts for a mere 5 per cent of Japan's economy, but it shot to unaccustomed fame in late 1997 when Hokkaido Takushoku, its main bank, became the first large bank that was per-

mitted to collapse in Japan. This bold move created a severe downturn in fiscal 1997 in Hokkaido. It also scare stories about a looming "credit crunch". And this prompted the national parliament to implement a wave of measures to help Hokkaido, which has since been copied across the rest

In fiscal 1996, for example, Hokkaido's budget for construction goared 34 per cent to Y1,400bn (\$11.9bn), funded are very optimistic about partly by central govern- as a relief to many local ment subsidies and local businesses. "Last year I had government borrowing. At been expecting that I would the same time the govern- have to restructure my com-

money to offset any credit crunch North Pacific, another

Hokkaido bank, has been "encouraged" by the government to take over Hokkaido Takushoku's Y1,700bn healthy loans, or 60 per cent of the total. Meanwhile, government institutions or semi-public agricultural cooperatives have been similarly "encouraged" to plug the remaining lending gap. The consequence of this is

that the overall balance of lending to Hokkaido companies is running at around Y11,000bn, little changed from two years ago. And though bankruptcy estimates vary, the chamber of mere 120 companies have collapsed as a direct result of Hokkaido Takushoku's fail-

"I don't think there is a strong credit crunch now in Hokkaido because the government and North Pacific have belped so much," says Matsuo Ishida, deputy head of the Hokkaido prefecture financial planning section.

Such measures have come ent are still falling in Hok- use public and private do's 28,000 construction com- downturn later this year.

panies. "But I changed my mind after the new spending package. We are now very

But the problem is that these measures still seem nothing more than a short-term "sticking plaster solution. For by creating this safety net, the government widespread restructuring that many economists believe is needed in Japan.

At the same time this wave of government spending seems unsustainable. Hokkaido's own debt levels, for example, have already doubled to Y4,000bn in the last four years. Japan's central government debt is soarcommerce calculates that a ing. And the rising level of government loans is now threatening to leave public institutions holding more had debt in the future. "What I am worried about is what will happen in two or three years' time when these borrowers have to repay the loans," admits Mr Ishida.

For the moment Mr Obuchi in faraway Tokyo is shrugging these problems off, hoping that public spending will eventually boost private demand. And in Hokkaido itself some officials still hope that addipointing out that consumer ment implemented an pany," says Toshibiro Saka, tional spending packages spending and capital invest- equally important drive to president of one of Hokkai- will emerge to stave off any





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The next E. E-services.



BWM has agreed a state aid package to safeguard the bridge, in the English making Longbridge a "world ment from the UK governplant in the UK.

Professor Joachim Milberg, BMW chairman, has disclosed, but the govern- ment in principle on the size accepted government aid ment's original offer of about and nature of a Governmentinvestment in the factory. to have been raised to more secure production of the new The deal is subject to ratifi- than £150m. BMW had been cation by the BMW board, hoping for at least 10 per

and by the European Com- £170m.

Tony Blair, the UK prime future of its Rover offshoot's minister, said in the House a programme to build a new biggest factory, the UK gov- of Commons he was range of cars at Longbridge ernment announced yester- "delighted" that people day. The factory at Long- could look forward to BMW ing factory. A joint state-Midlands, is the biggest car class plant for the next cen-ment, BMW and Rover said: for both the Rover group and tury".

f118m (\$190m) is understood

The company is now expected to press ahead with and to modernise the sprawl-"We are pleased to announce The amount of aid was not that we have reached agreeaid package which will medium car at Longbridge."

It went on: "Such an

agreement is still dependent to be made at Longbridge in night that Mr Byers - who upon the BMW board 2001-02. Before then, the 200 had intended to talk to Mr agreement is reached between the government and BMW, this package will require approval from the appropriate EU authorities. This news is a massive boost the West Midlands Industrial base as a whole. We look for-

ing a world-class plant for the next century... The way is now clear for replacement models for the Rover 200 and Rover 400 cars

ward to Longbridge becom-

plant also producing the eagerly-awaited Millennium

Ken Jackson, general secretary of the Amalgamated Engineering and Electrical Union said: "The government has delivered its promise of not walking away from Longbridge. After months of to appear increasingly damaging speculation, the clouds have been lifted."

negotiations suggested last

approval and when formal and the 400 will be revamped Milberg directly over the at Longbridge, with the next few days - decided instead to call what increasingly appeared to be BMW's bluff. With Hungarian gov ernment departments insist ing no negotiations of substance had taken place with BMW, the German company's threat that the project could go to Hungary began

FINANCE BILL CLAMPDOWN ON FLAWS IN RULES FOR DISCOUNTED SECURITIES WILL BE BACKDATED

Tax loophole on bonds to be blocked

By George Graham, Banking Editor

The Government's finance bill, published yesterday, blocks a tax loophole that devised with an option to exploited flaws in the rules introduced in 1996 for discounted securities such as zero coupon bonds. The changes will be backdated to

February 15. Discounted securities pay annually in the form of the little or no interest, but the accruing discount. return to the holder comes in the form of a discount from the redemption price. Since the introduction in tax.

1996 of new rules on loan

Transparent debt

management earns

credit from market

towards streamlined government bond

the UK central bank, finally management agencies.

operations, Edward Luce writes

years, the Bank of England,

transferred control over the

UK gilt (government bond)

April 1 last year. The move -

gaining control over mone-

step on the road to the full

modernisation of the gilt

market. Michael Williams, head of

which has arms-length inde-

pendence from the Treasury

and is based in the City, has

ing the transparency of UK

Although Gordon Brown,

ing economy which has

The government's offer of a

proposed energy tax is inade-

that the levy reduction must

50 per cent discount in its jobs."

and Kenth Brown

Transfer of 300-year old task seen as step

Athe UK government's such as Sweden. New Zea-debt for the last 300 land and even Poland have

fter having managed of the smaller countries,

relationships, this return is that holders of discounted . The finance bill contains supposed to be taxed annually as it accrues.

However, the inland Revenue said schemes had been redeem early, and so could be defined as convertible. The intended result of

these schemes is that the bond issuer gets tax relief for notional interest paid out

The holder is taxed only on disposal, under capital gains tax rather than income

"The change will ensure

securities cannot escape an income charge on the discount by arranging an artifi-cial option - which would never in practice be exer-cised - for the holder to redeem early at par," the Inland Revenue said yester-

The problems arose because the 1996 changes transposed a narrow definition, used to determine who could qualify for a particular benefit, into an anti-avoidance context, where such a narrow definition was fairly

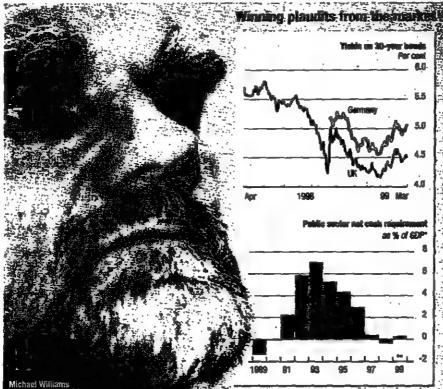
a stay of execution on a popular tax loophole used widely in the financial sector - especially by banks which allows them to cut administration costs and reduce payments of value

added tax. Jim Kelly writes. Peter Jenkins, VAT partner with Ernst & Young. pointed to the unexpected new starting point of January 2000 for the VAT regime wide range of businesses adding that the announcewas "extremely ment

stop tax avoidance in the use of so-called "VAT groups" in which a collection of related companies are treated as one entity for VAT purposes.

On the day of the Budget companies would no longer he able to include foreign subsidiaries in VAT groups on the basis that one of the directors was a UK resident.

In effect, the law allowed non-resident companies into groups - a concession not given in the rest of the Euro-



Since its launch 12 months ago today, the DMO has had market to the Treesury on to contend with one basic problem: shrinking governa quid pro quo for the Bank ment debt. Last year there

land and even Poland have

also launched separate debt

were net redemptions of tary policy - was seen as a £8.8bn (\$14.2bn) to the £800bn large gilt market. Although this is considered good news from the point of view of fiscal policy, shrinkthe Debt Management Office, ing debt is bad for market liquidity and unpopular with the leading operators. including marketmakers. won plaudits from the mar- Many remember the illiquidlate 1980s as the Thatcher government used budget sur-

chancellor of the exchequer. pluses to repay debt. One of the DMO's has been accused of using the word too often, economists say Mr Brown was clearly in earnest when he sion" schemes where the said the DMO would work to market is invited to trade in transparency. Most obvious improve "transparency" in old "illiquid" or "off-the-run" the gilt market. Indeed, the creation of a separate agency for control over debt management is widely seen as an important part of the effort to attract new players to the gilt markat. The UK is the only lead-

general, said: "We believe proposed to introduce the

ket for immediately enhanc- ity and the pain when the can swap a portion of partic- UK can draw on the advan- the Treasury's daily cash market last shrank in the ularly large gilt issues for tage of having a much larger medium sized gilt issues. This will help from out anom-

alies in size.

responses has been to DMO will come up against demand for longer-dated govlaunch several debt "conver- much thornier tasks than how to improve liquidity and is how it will handle the glits for new much larger UK's uncertain - but now benchmarks. Roughly 28bn officially sponsored - entry has been converted in the into European monetary last 12 months. As a result union. Assuming the UK for 10-year debt and below. there are around 20 separate does join the euro, the DMO glits worth 28bn or more - a will have to think hard become the 30-year benchhighly concentrated market about how to maintain the mark for the euro," said Mr by European standards. Mr glit market's attractiveness Williams. Williams also plans to vis-a-vis the much more pop- in additional standards. "switch" ular German bund market, day's Finance Bill) the DMO

Business chiefs reject energy levy offer

have extremely damaging obligations. John Prescott, their international competi-

business leaders on Monday

consulting industry or busi- The move followed com- ance contributions. Large

would cost energy intensive

international climate change of pounds, undermining reductions than labour

industry than Germany which means that there is But economists say the correspondingly greater ernment debt including 30year bonds owing to the pension sector's long borizons. Indeed the UK's 30-year benchmark trades at a premium to its German equivalent - the reverse is the case "The long-dated gilts could

In addition (under yester-

The tax announced in the

a year which the Chancellor

users have complained that

they have much less to gain

tiveness.

that he was considering Budget was originally expec-

reducing the impact of the ted to raise £1.75bn (\$2.80bn)

task which will often mean billions of pounds are under its control on certain days. The DMO, which, again, takes over this responsibility from the Bank of England. says it will use the opportunity to boost the UK's Treasury bill market, which is considered illiquid by international standards. A T-bill has a maturity of less than one year. "Managing this amount of cash efficiently is a mammoth task," said one economist, "But it makes sense to take it away from the Bank now that it sets

· One of the main political

finance bill's passage

through parliament will be

fuel duty and energy taxes.

Ministers privately admit that increases in fuel duty

Opposition parties will use

the duties as an example of

Full details of finance bill on

alleged "stealth taxes".

By Kevin Brown

industry Editor

ancient universities. Graham Zellick, vice-chancellor of the federal university, said: "The University of London is not essential. adding the big colleges could "survive and flourish on

But people close to the Volvo restaffe, Page 19 negotiations suggested last Comment, Page 26 Newer universities challenge Oxford and

Cambridge

Britain's "red brick" universities, mainly created since the 1960s and for years dismissed as second choice institutions for the country's brightest students, are increasingly challenging the ancient hegemony of Oxford and Cambridge, according to the second Pinancial Times

survey of universities. Five London colleges command positions in the top 10. Beyond London, Bristol University, at sixth, and Warwick University, at eighth, were the newcomers in this year's top 10. York University also features in the top

Just outside the top 10, but outstripping Oxford or Cambridge in some key performance indicators, are Bath. Edinburgh. Nottingham.

Essex and St Andrews. The spectacular rise in the fortunes of London's colleges is also putting in doubt the future of the University of London, one of Britain's most famous academic institutions, which encompasses a number of institutions in a

"federal" structure. Sir Ronald Oxburgh, rector of Imperial College, part of the university, said the federal institution, which has traditionally formed a so-called "golden triangle" with Oxford and Cambridge, now had "a tenuous existence". He did not rule out Imperial breaking its close link with the university and setting up as its own degree-

awarding academy. The FT survey shows that Cambridge, with an FT score of 74.23 out of 100, remains Britain's top university, while Imperial, with a score of 70.1. comes second, like last year pushing Oxford into third place.

Next year imperial may even challenge Cambridge for the top slot, since the col by merging with two London medical schools, it now boasts the biggest turnover of any university in the country with £309.7m (\$498 57m), compared with Cambridge's £293m.

Two other London colleges in the FT top 10 - University College, the third oldest uni versity in England, and King's College - have com-pleted successful mergers with London medical schools. Even colleges without medical schools - the London School of Economics, still in fourth place, and the School of Oriental and African studies, a new top 10 entrant, in seventh place are closing the gap with the

NEWS DIGEST

AEROSPACE INDUSTRY

State to put \$97m into threatened research

The government has bowed to heavy lobbying by the aerospace industry and is to provide £60m (\$96.6m) over the next three years to support a key aeronautics research programme. The industry had feared that the government would scrap the programme as part of its strategy of redirecting resources away from industry-specific support

Detailed spending plans, published yesterday, show 220m a year of funding for the Civil Aircraft Research and Technology Demonstration programme compared with 224m last year. The Society of British Aerospace Companies welcomed the retention of the programme, which it said played a significant role in maintaining the aerospace production base in Britain. Support for the space industry is also declining from £102.4m last year to £90m in 2001-02. David Wighton, London

MINISTRY OF DEFENCE

New bodies to aid efficiency

Two new organisations aimed at making the Ministry of Defence more efficient and effective at procuring defence equipment will be launched today. The Defence Procurement Agency will replace the former Procurement Executive. The semi-independent agency will have a slimmeddown top management structure and will be set targets to make sure it gets defence equipment into service on time

and within cost. The new Defence Logistics Organisation will bring together the three separate service logistics organisations by April 2000. It will become the largest joint organisation in UK defence, employing about 41,000 people and will concentrate on supporting defence equipment once it is in service. The merger of the three service logistics organisations follows the government's Strategic Defence Review, which laid out plans for more co-operation between the armed forces. Sathnam Sanghers, London

British Museum

Managing director appointed

The British Museum has appointed its first managing director, Suzanna Tavenne, previously director of strategy at Pearson, publisher of the Financial Times. She will work alongside Dr Robert Anderson, its director, but report directly to the board of trustees. Yesterday, she likaned her role to that of a publisher, with a Panderson as editor.

The British Museum was criticised in a consultants' report in 1996 for lacking adequate financial controls and moving towards a mounting deficit.

Ms Taverne's arrival at the museum reflects a trend that is affecting all the UK's leading arts and heritage institutions. The Royal Opera House, Covent Garden, Is now run by a manager, American Michael Kaiser, who was recruited last November as executive director, on the strength of a reputation for turning round alling arts organisations. Antony Thorncroft, London

FOOD STANDARDS

'Give agency broader remit'

Ministers were yesterday urged by MPs to give the new Food Standards Agency a broader remit, covering areas such as nutritional advice and food advertising. A committes of MPs studying the draft agency legislation said the agency "should be the body responsible for setting the nutritional and dietary standards" applied by the govern-

The food industry has lobbled ministers against giving the agency powers over nutrition, fearing it could mount npaigns against such common ingredients as sugar or salt. The MPs say the government's original plan to levy a flat rate 290 a year levy on all food outlets to fund the agency is "contrary to natural lustice". Ministers are now expected to introduce a graded system, with supermarkets bearing a larger share than small local shops and takenway food outlets. George Parker, London

MOBILE PHONES

Operators agree text system

Mobile phone users in the UK will soon be able to send text messages between different networks after an interconnection agreement was reached between the four UK operators. From today, subscribers to Orange and Celinet will be able to send messages of up to 160 characters to users of each other's networks. One-2-One and Vodafone will join the system soon. Christopher Price, London

PRINCESS OF WALES COMMEMORATION

Demand for coins 'enormous'

Demand for coins commemorating the life and work of Diana, Princess of Wales has been enormous, the Royal Mint said yesterday. Limited editions of gold and silver versions of the coins will be made available to the public today. More than 3,000 advance orders have been made for the gold coin, which costs £595 (\$958) and has a limited issue of 7,500. Fifteen thousand people have ordered the £32.50 silver coin which has a limited issue of 350,000. It was announced in January that an official UK coin would commemorate the Princess, with all proceeds going to fund memorials recommended by the Memorial Committee set up in her name. The coin features a portrait of Diana in profile by David Cornell, with a portrait of Queen Elizabeth on the other side.

'CHINESE WALLS' CASE ECHOES LANDMARK JUDGMENT FOR PRINCE JEFRI OF BRUNEI

Court backs stronger data barriers

long term consequences for deputy prime minister, told

Mr Turner complained tax on the biggest industrial

quate, the Confederation of that important aspects of the users by 50 per cent in of the Exchequer said would British Industry, the UK's design of the "green levy" return for substantial cuts in be offset by reductions in

principal employers' organi- had been decided without their energy consumption. employers' national insur-

Adair Turner, CBI director ness. The government has plaints that the proposed tax capital intensive energy

new energy tax in April 2001 users, such as steel manufac-

be significantly greater than to help Britain meet its turers, hundreds of millions from national insurance

By Jim Kelly, Accountancy Correspondent

The London courts this week struck a fresh blow for better "Chinese walls" to protect clients when a judge ruled that the proposed merger of the accountancy firms Robson Rhodes and Pannell Kerr Forster could only go ahead if better data barriers were in place.

The case is the first since a landmark judgment was Jefri of Brunei who brought an action against KPMG, his former accountants, alleging were inadequate to protect

The case confirms that the courts, while accepting that Names brought the action to and Sarah Bell, an employee,

clients' interests, stress that viously expected.

important parts of the UK's

manufacturing base and

the individuals who have ster," said law firm Bracher traditionally supported the Rawlins, acting for the insurance market - had Names. brought an action because witnesses from Robson Rhodes, the accountants, in given in favour of Prince an action against their audi- of the action was dismissed firms were merging on May that the firm's Chinese walls 1. Robson Rhodes had told the Names they could no

Chinese walls can protect stop the merger going ahead, will be isolated from their safeguards must conform to son Rhodes would be in Kerr Forster who had any high standards and will have breach of its contract with part in the audit of Syndito be more formal than pre- the Names by refusing to continue advising them in Robson Rhodes said they The judge was told that a connection with their case group of Lloyd's Names - against Pannell Kerr For-

The idea that the two Robthey had hoped to use expert son Rhodes partners and an Jefri and it proves that these employee should go on "garden leave" for the duration tors Pannell Kerr Forster, and the judge decided They were then told the two instead to toughen up the Chinese wall arrangements offered by the firm.

"The judge ruled that Rob- new colleagues in Pannell cate 190.

welcomed the judgment and had offered the extra safeguards after suggesting the partners be isolated in a separate department. "This is the first case since Prince walls can be made to work," said Mr Hamedani He added that the judge

had decided that an implied contract existed between Robson Rhodes and the Names. This finding brought As a result. Frank forensic accountants closer longer act for them because Attwood and Rosein Hame- to lawyers in their duties - a of the merger. Originally the dant, partners in the firm, similar finding to that in the the sample and the way the Prince Jefri case, he said.

Euro poll disparity is explained

favours British participation in the European single currency. The MORI polling organisation found that it did; ICM that it did not. Both are highly reputable organisations. So which is right? The answer, confusingly,

may be both. But the conclusions that can legitimately be drawn from the surveys depend on what you want to find out Like most opinion

research surveys, the results of the polls reflect two critical elements: the wording and sequence of the questions that were asked, and answers are weighted.

The business community has cent of businesses favoured been asked twice whether it joining the euro as soon as cent. possible and 37 per cent wanted to join after the next between the two surveys lies entire population. general election. This gave a in the sample. MORI sur-

in favour. Only 23 per cent

said they wanted to rule out

ioinine. ICM's survey, carried out this month for the Business for Sterling lobby group, found that only 8 per cent wanted to join now. A further 38 per cent favoured Tony Blair.

This gave a total of 41 per cent in favour. However. 43 industry department. Britain to keep its options weighting produces results for the euro,

for the Financial Times in and 16 per cent wanted to towards the less economi-September, found that 26 per rule out membership alto- cally important smaller busigether - a total of 62 per

> ICM included all businesses. right down to sole traders.

Both organisations then weighted their results to favour of the euro among take account of the larger numbers of small businesses. But while 95 per cent of for 60.9 per cent of turnover. Britain's 3.6m-4m businesses membership after the com- have fewer than 10 employ- have pointed out that pletion of the preparations ees, they account for only MORI's poll for the FT gave launched last mouth by 23.1 per cent of turnover, mildly sceptical respondents according to figures from the no option other than to rule government's trade and

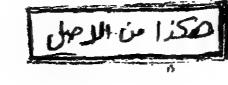
per cent said they wanted This means that ICM's apparent strength of support

MORI's poll, carried out open but probably not join, that are heavily biased

Arguably, this is not very The main difference different from a poll of the

total of 63 per cent broadly veyed businesses with a min- between the two surveys is imum of 11 employees, while not possible, but the detailed ICM responses, broken down by company size, confirm businesses with more than 50 employees, which account However, Eurosceptics

out joining, which they argue may have inflated the





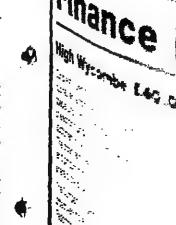
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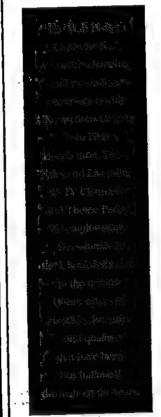
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Peer review needs care, not neglect

In the second of a series on how scientists regulate themselves, Tom Barlow argues that the traditional method of appraisal should not be discarded despite its inherent flaws



Science under scrutiny

Science often seems an inexorable process, no more governable than a flowing reviewers must be expert. river or a steadily rising

But whichever image you prefer - the one that takes us somewhere or the one that forebodes an eventual drowning - both are wrong in the way they suggest science is something that "just happens" outside human

In fact the steering of sciis carried out by a procedure called peer review. This term means just what it says: a group of scientific peers (in the sense of equals) will review a project, person or paper and assess whether it is good enough to receive funding, a job or publication.

The peer review process is important because science itself is important. Decisions about whether to invest in molecular biology or taxidermy, immunology or vitalism, particle physics or astrology, naurophysiology or mesmerism are of considerable importance to the future of society.

We want the best people doing our research. And we also need to know which research, once it is comoleted, we can trust.

mechanism, possibly the best mechanism there is, for making these sorts of decisions - but that is not to say that the reviewers will always get it right. For the system to work well, peer independent and ethical.

very difficult to assess an experiment that uses nuclear magnetic resonance spectroscopy to analyse proknow the first thing about spectroscopy or proteins.

big science. In experimental particle

molecular biology, for examto find reviewers who do not stand to benefit in some way pendently to assess. Being ethical, however, is

the most important characteristic of a reviewer. Ben Martin, director of the Science Policy Research Unit at Sussex University, says: "I am aware of a couple of instances where ideas were pinched from proposals then e-used by the reviewer for their own proposal...I am also aware of one or two cases in which the papers were held up while reviewers made use of them for

others."
Other forms of unethical behaviour in peer review be perpetrated

Peer review provides a unconsciously. Two years ago, researchers at Göteborg University in Sweden published a paper in the journal Nature, presenting some pretty strong evidence that the peer review system of the Swedish Medical Research Council was sexist and nepotistic.

of the reviewers.

'Fraudulence

needs to be

tackled through

says that since the publica-

ther study of its own.

for money too," she says.

It is pleasing to know that

a peer review system can

reform itself. What is partic-

ularly interesting, however,

is that the system thought it

was objective when it was

appraisal of research for

because scientists are able

a level of trust and a belief

publication.

Unfortunately for the The importance of expertise should be obvious: it is Swedish MRC, it seemed that women had to be 21/2 times more productive than men to get an equivalent ranking by peer review. Not only tein folding, if you don't that, a woman applicant could seemingly "make up" for her gender if she knew

Independence is similarly crucial: without it one ence - most of it anyway - might, for example, be is carried out by a procedure tempted to reject a grant proposal or a submission to a journal if it is opposed to one's own pet theory. Independence is becoming a problem in certain areas of

> physics and some areas of openness and transparency' ple, it is sometimes difficult did not come disproportionfrom the award of the very ately from less renowned grant they are trying indeuniversities or low priority areas of research, nor were

they any less likely to have collaborated with academic decision-makers. In the absence of any other explanation, the authors concluded that the peer review system in the Swedish MRC discriminated against wome Agues Wold, a researcher in the Department of Clinical Immunology at Göteborg University, and one of the authors of the Nature paper.

their own papers." Although he is quick to point out that only a tiny minority of peer reviewers behave in this unethical way, Professor Martin says the numbers are increasing. almost certainly as a consequence of the growing intensity of competition in sci-

"When success rates for grant proposals are down at the 20 to 30 per cent level, that encourages fraudulence and unethical behaviour," he

not. This is an issue that is The only way to deal with these "less than scrupulous particularly important in the scientists," Prof Martin says, "is through openness and transparency - look at the situation thoroughly and ay of warning the work of others. This requires trust.

reading and, more importantly, what is worth It is important that such a he

method is, as far as possible, objective. Is that possible? Laura Garwin, North American Editor of Nature, says: "Scientists are only human, so it would be a foolish editor who did not admit that the process was not always objective. What editors try to do is to filter out or compensate for whatever subjectivity there is."

A good editor will do this in a number of ways: through the selection of appropriate referees (for example, by allowing the author to exclude a limited number of people from the pool from which their referone affiliated with one es can be drawn); by reading the reviews carefully, to The women in the study ensure that good reasons are given for acceptance or rejection of a manuscript; and by giving the authors the opportunity to appeal against a negative decision should they wish.

At the end of the process a paper that has been reviewed may not be perfect. (Indeed, it may be fraudulent, or full of unperceived errors – things will always slip through the net.) But clearly a peer-reviewed paper is more likely to be dependable than a paper that has not been reviewed.

Because scientists often distribute pre-prints of their papers before they have been accepted for publication, the scientific community can give the impression that peer review is irrelevant.

By the time a paper is in print, either everybody already knows about it or it's not worth knowing, says Susan Cooper, profess of experimental particle physics at Oxford Univer-

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Parties in a

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tion of her paper, the Swed-But, averybody knows ish MRC (which, initially, the danger of believing a was astonished by her pre-print too much, so [until results) has conducted a furit is published) we take things with a grain of sait Since then, "women and and might be reluctant to men have had the same sucquote it. People do value the cess rate both for grants and final version more highly," positions, and presumably she says.

That, ultimately, is what makes peer review useful, both to the public and to the

It may not be perfect - it is subjective and open to abuse - but it is more likely to get things right than not. That may not inspire blind faith in either the results of Science proceeds rapidly science or the direction it is going, but it is good enough make the results public as a confidently to build on the to foster some degree of our

> The series continues next Thursday with an article on fraud in science.



Bug buster blamed for resistance

Concerns are growing about triciosan, the general purpose anti-bacterial and anti-fungal agent used in a vast array of household products, from toothpaste to

The fear is that its widespread use is fostering antibiotic resistance. Scientists believed triclosan acted in an insufficiently pecific way for resistance mechanisms to evolve against it until Nature, the science journal, published research showing that triclosan is a potent inhibitor of a bacterial enzyme in the synthesis of fats.

A follow-up analys published in today's Nature, underlines the concerns about triclosan. Researchers at the University of Sheffleld showed that triclosan inhibits the enzyme at very low concentrations. They also proposed a series of biochemical steps by which E.coli bacteria could become resistant to the chemical. University of Sheffield: UK, tel 0114 222 2000, e-mail d.rice@sheffield.ac.uk

Genes put pain under control

Researchers in the US have shown for the first time that gene therapy can be used to control pain in animals. The development could lead to new treatments for chronic pain associated with conditions such as cancer, arthritis and angina.

Carolina treated mice with a herpes virus containing a gene that triggers production of a pain-blocking protein. The gene appeared to act on C-type neurons, which are thought responsible for

slow, burning pain. The researchers hope that within a few years they can devise a treatment that is effective, non-addictive and without the side-effects associated with conventional narcotic-based pain relievers. The study is published in the March issue of the Proceedings of the National Academy of University of Pittsburgh: US,

Cancer answer in the tea leaves

tel 0014126242607; http://

www.pitt.edu7rsup/phgt

Drinking green tea has long ociated with a reduced risk of cancer. Green tea has also been shown to inhibit particular types of tumours in

A report in today's Nature gives a clue about the way green tea may affect cancer. Researchers at the Karolinska Institute in Stockholm have identified a component of green tea, epigallocatechin-3-gallate, which prevents the growth of new blood vessels, an important process in tumour growth. Other diseases linked to the growth of new blood vessels, such as certain eye conditions associated with diabetes, might also be inhibited by drinking green tea. Karolinska Institute: Sweden

tel +46 8 728 7596, e-maliyihai.cac@mtc.id.se

Polymers that may save lives

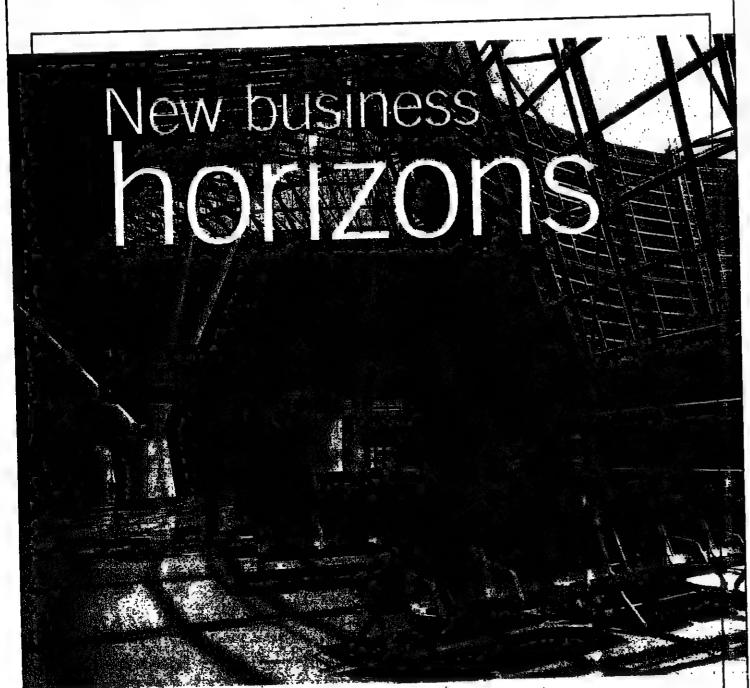
Deaths in aircraft accidents could be reduced by the use of novel polymers that are more fire-resistant than existing materials, according to US researchers. Many of the polymers now used in valls, seats, windows and other parts of the aircraft decompose to produce flammable gases

Scientists at the University of Massachusetts and the Federal Aviation Administration in the US have identified a polymer, (PHA), that tends not to decompose when

The small proportion that does decompose is converted to water and another fire-resistant polymer. Researchers are also looking for other applications for PHA, including military uniforms. American Chemical Society: US, tel 202 8724445; e-mai _marsh@acs.org

Vanessa Houlder Medeva

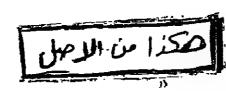
Since 1996 Medeva has made and continues to make the appetite suppressant phentermine not fenfluramine as reported on March 29. Fenfluramine and dex-fenfluramine were voluntarily withdrawn from the US market in 1997. Phentermine has not been withdrawn from the market.



As Malaysia welcomes you to its state-of-the-art 'Airport in the Jungle' a Kuala Lumpur executive is likely to urge you to explore the surrounding scenery as well as his favourable investment incentives. With a tropical rainforest next door, and breathtaking countryside and coastal plains all along the highway, this could turn out to be one of your most pleasurable business trips ever. There are many ways to broaden your horizons in Malaysia.

Find out more about Malaysia's momentum by reading the feature in FT Weekend section on Saturday





THE ARTS

CINEMA NIGEL ANDREWS

A visit with the loony tunes

I was eight minutes late for only for the dictator later to Tea With Mussolini, even betray his promise to look the Resistance? If this is though the trains ran on after the ex-pais. time. A confusion over venues got me to the Empire deep of the wine of Firenze") Leicester Square just as saves priceless frescoes Dames Judi Dench and Mag- while Lady Olivier is a pricegie Smith and Lady Joan Plowright-Olivier were hold- cheeks, that dimpling twining forth about life, art, free-kling smile. And heiressdom and Il Duce. They do this, I soon realised, gist Lily Tomlin are the throughout the film, with short intervals for Cher and Lily Tomlin to do so. Franco Zeffirelli's funny, old-fash organdy emoting as if all the ioned, handsome, garrulous movie is based on his own life as a war child tossed about among opinionated Auglo-American surrogate mums. It explains a lot.

it explains, and helps us forgive, his Endless Love, Brother Sun Sister Moon and other schmaltzathons. If he really grew up as this passthe parcel tot among twilight-imperial prima donnas, he is entitled to a movie career that has alternated between beauty (Romeo and Juliet, Hamlet, Otello) and wistful balderdash (much of the rest).

Here his autobiographical alter ego is the illegitimate Luca, played at different ages by Charlie Lucas (child) and Baird Wallace (teenage resistance fighter), who loses his mother in what Lady Bracknell - of whom this film has a whole collection would call a misfortune. Carelessness follows in the hoy's inability to stay with any one US/UK diva for long. being regularly dropped from the plot by screenwriters Zeffirelli and John Mortimer in order, we assume, to make more room

for the man These come in the category known to cinephiles as Slabbag: seen it all before but still glorious. Dame Maggle flutes and quivers as the team leader who says "Shall

less fresco: those gobstopper socialite Cher and archaeolostraight and gay options of American femininity, the one a vision in fur or

TEA WITH MUSSOLINI Franco Zeffirelli

PLUNKETT AND MACLEANE Jake Scott

BEYOND SILENCE Caroline Link

THE FACULTY Robert Rodriguez

A BLAST FROM THE PAST Hugh Witson

THE NIGHT OF THE HUNTER Charles Laughton

world were an Oscar cere mony, the other dressed like Harrison Ford in "Indiana Jones Goes Lesbian".

There are innocent filmgoers out there who have a right to take all this seriously. However, looked at two woodcuts hung out in closely, it is clearly an the rain. They rollick limply advanced case of loony tunes. Did British women really go about Florence barking at blackshirts, taking tiffin in art galleries and chaining themselves protest- jokes. But their most strenuingly to towers?

someone as glamorous as Elsa (Cher) to escape a Hollywood movie career? And was Franco Zeffirelli - our Silence, a Best Foreign Film I be mother?" to Mussolini, dear, soppy, lovable Franco Oscar numinee last year, is

true, tea in the Uffizi all Dame Judi ("I have drunk round and I'll be mother.

> Phinkett and Macleane actually existed if you believe the film's press notes. I believe them because in April Fool's week I decline to be gulled into research. No doubt the first, spelled Maclaine, was hanged in 1750 for services to daylight robbery. No doubt the second was a bankrupt apothecary turned stand-and-deliver specialist.

What does this matter, though, to audiences? They have to watch and suffer the movie. Director Jake Scott evidently learned Great imagery from his father Ridley - mist-wreathed graveyards, cobblestones slick with noir rain, landscapes opalescent with first dawn while also learning from dad and uncle Tony (Top Gun) how to ruin that imagery with fancy cutting. The film behaves like a pop promo with the runs, possibly from ingesting too much chilli-hot music from the anachronistic likes of the Tiger Lillies and Craig Armstrong. As screen entertainment

it sounds better than it plays. Acted by Robert Full Monty Carlyle and Johnny Lee Trainspotting Miller, Plunkett and Macleane have all the debonair charisma of through 18th century England wooing damsels (Liv Tyler), humbling judges (Michael Gambon), contracting the pox and cracking ous efforts fail to make a leg-Did the US really allow end from two lifetimes, which in duration is what the film feels like to watch. Caroline Link's Beyond



Rather than treat filmgoers as jaded wraiths who need their eyes and ears violently assaulted to receive any sensation at all, this German film explores a world where deprived senses vibrate at the smallest hint.

Heroine Lara, played as small girl and teenager by exclude him - and create Tatjana Trieb and Sylvie her own life?

majestic in comparison. Testud, is the music-loving daughter of deaf-mute parents. Can she break the bonds that tie her - to their world of sign language, to their dependence on her to relay everything from telephone calls to a description of birdsong, to Dad's resentment of all sounds that

The girl takes up the clari- has his reasons". net and moves in with a breaks free, but we never sense that that break is complete or even should be. This mime metamorphoses and Manicheism - brutal Dad

Beyond Silence is as much musical sunt in Berlin. She about the emotionally unsaid, about the half-guilty desires and motivations we all carry through each day, is not Shine with its panto- as about the literally un-sayable or-hearable. And though its language is naturalism it bad, sensitive Sonny good - never shuns the poetic. The but a film honouring Ren- opening image of skaters lens surreally by an eccen-

a pond captures, more eloquently than a thousand words or hand-signs, the scary otherness of a soundless netherworld.

Is there life after post-modemism? The horror film The Faculty (opening next week) is so arch and intertextual that you might as well leave your belief-suspension equipment at home. You need only know that something slithery and extra-terrestrial is taking over Hokum High School (not real name) and "spot the movie reference" is the game of the day.

Practised genre-pasticheur Robert Rodriguez (El Mariachi. Desperado) directs. The cast includes Piper Laurie of Corrie and Robert Patrick of Terminator 2. And Kevin Scream Williamson wrote the script which, when not being owlishly allusive, can sometimes be funny. I liked the girl who rejects a kiss with "These are Estee Lauder lips, they take 72 minutes to apply" and the boy who rejects athletic activities with "I don't think a person should run unless he is being chased".

What would we do without Christopher Walken? Like a joker in a pack or a blank in Scrabble, he can "be" any thing. In A Blast From the Past he plays, with a mad but winking wit, the scieutist who whisks his family into a D-I-Y luxury bunke during the Cuban crisis.

Convinced of apocalyps he keeps them there for 35 years, by which time Sonny (Brendan Fraser) is old enough to go up and explore 1990s California. Cue hilarity, urban dystopla and Alicia Silverstone as a sassy love interest. Hugh Wilson's film is funny for a while (with Walken in charge). quite funny for a second while, but runs out of wiles by Act Three.

You must see The Night of the Hunter if you haven't. This, too, has spent 35 years in incubation. Charles Laughton's lone directing venture, made in 1954, still has a spooky greatness. Mad preacher Robert Mitchum: two children on a river; animals as visual chorus; crime, vengeance and pursuit. It is the American dream or

Simon is just too cute for words

LONDON THEATRE

ALASTAIR MACAULAY The Paleoner of Second Avenue Theotre Royal, Haymarket

Everything is of a piece in the West End premiere production of The Prisoner of Second Avenue. The actors are perfect for the play, the play is perfect for the actors, and the audience is perfect. too - on press night, ful - dissent from this perlaughing canned laughter hang on cue. To found off Dreyfuss and Mason are perthe perfection, the actors are Richard Dreyfuss and Marsha Mason - who were even more perfect just over 20 years ago, in the movie of The Goodbye Girl. That was written by the celebrated Neil Simon, and so infuriatingly selfish that I was The Prisoner of Second

The latter was first pro-

PONTES !

लाम समार्थ ।

Me And

again! And Dreyfuss and Mason making their West now middle-aged folk who laughed and cried our way through The Goodbye Girl and the plot would be when we were young, what unchanged. The two acts when we were young, what

could be more perfect? I alone - crabby, ungratefection. What Simon and fect at is being cute. Simon chooses here to be cute about a middle-aged man's unemployment and nervous breakdown. Simon must be a kind man: this middle-ared character, Mel Edison, is so soon wanted someone to

just makes him cute. Much of the comedy rests

but if could have been writ- on how Mel is irritated by ten - Simon has recently the New York life: by noisy said - about the New York neighbours, by traffic, by of 1999. Dreyfuse and Mason garbage, by over-hot sumand Simon all together mers and over-cold air conditioning. From the opening lines on, Simon weighs down End debuts! To those of us the play with wisecracks, gags so gratuitous that over half of them could be excised

> of Mel's nervous breakdown and recovery-He is, unfortunately, as infuriatingly selfish at the end as he was at the beginning, but Simon wants us instead to notice how much better be is at dealing with his life and with the irritations of New York

I – like Mel's neighbour – feel, however, that New fect actors and this perfect.
York life would be less than and enter.

half as irritating were Mel not a part of it. One of the big-league jokes is when his upstairs neighbours pour cold water over him as he stands on the balcony. Ho ho! I slope - crabby ungrateful - wanted that water to be boiling.

Dreyfuss and Mason oustage go in for forms of extremes of cuteness that would, surely, not be allowed even in Hollywood. Nor. usually, in the West Bnd. What The Prisoner of Second Avenue feels like. curiously, is TV: a comedy series on TV. If you enjoy One Foot in the Grave and Friends more than I do - and have three scenes each. very many do - you may enjoy The Prisoner of Second which take us through six months and through the arc Avenue more than L

Still, it is a shock to a just how badly Dreyfuss, in particular, mugs, how he addresses his reactions to the audience, how he exacgerates those reactions. And how he and Mason wait for the laughs! The cutest thing of all is the choreographed curtain calls, which become a kind of laugh in of mutual adoration between these perA bright and guilty secret NEW YORK THEATRE

BRENDAN LEMON Century Theetre, Off-Broadw

Los Angeles has long been the city that American intellectuals love to hate, with almost every diatribe rehearsing the same litany of top talents who have floundered there: Fitzgerald and Faulkner, Brecht and Mann, and of course, Orson Welles, who for much of his life couldn't be bothered to live according to Hollywood's ethos of seduction and defeat. Welles once

that aptly applies to David Marshall Grant's new play, Bright light pours in through the windows of the production's unit set, approximating the feel of the semi-Spanish bungalows that line the streets of Hollywood. You wonder how any-

called the city a "bright,

guilty place", a description

one could ever be unhappy

in such a setting.
Then Michael, a mid-30s social worker who is leaving the house because he can no longer afford the rent, begins to vent his anxieties, and you realise there is trouble behind the palms.

Michael, believably embodied by Geoffrey Nauffts, grew up in Connecticut and moved to New York to become an artist. Like many creative New Yorkers. though, he eventually went west to escape the collapse of his career. He had been a dancer who was noticed by one of Balanchine's assistants but was too unhappy with what he calls ballet's "fascist" leadership.

As the play opens, we learn that his love life has collapsed, and old friends from New York, a married couple named Jonathan and Jennifer, have come to visit. Michael's emotional baggage soon becomes as cluttered as the belongings piled high on his sitting room floor.

Jennifer had once been lovers, and the disclosure of this fact to Jonathan in Act Two, along with its potential consequences for the coupla's sickly daughter, pro-

vides Snakebit with its suspense. The playwright unravels this situation with definess, and while he does not avoid a few heavyhanded touches there is no question that the trio's travails are almost always absorbing. The play's compulsive

watchability comes as a surprise, given that its characters are all so self-absorbed you may wonder whether you will survive two hours in their company. In fact, Jonathan, who has come to LA for an audition, is so relentlessly narcissistic (his wife calls his interactive style "a series of pre-emptive strikes") that you may find it hard to believe that he and the saintly Michael would have remained friends for so

Though he is gay, he and .. Grant. . however... whose heartbreaking performance as Joe Pitt in the Broadway production of Angels in America long ago suggested his profound understanding of unlikely masculine connections, has the intelligence and the sensitivity required to make them plausible

Jonathan, whom David Alan Resche plays with Malkovichian gusto, is intended. perhaps a little too deliberately, to offend liberal sensibilities. Whether Jonathan is caressing the memory of his father - whose motto was "Money is the report card of life" - or attacking his friend when he learns the play's sexual secret, Basche is wonderfully provocative.

Although Snakebit has sitstructed his story more like a David Hare drama of ideas. replete with the clash of humanitarian and hard-nose viewpoints. Unlike Hare, however, Grant does not stack the deck unfairly in favour of either side.

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE' Het Muziektheater Tel; 31-20-551 8911 **Dutch National Ballet:** programme combining the Dutch premiere of Acts of Light by Martha Graham, with the world premiere of Krzysztof Pastor's Bitter Sweet, and Balanchine's Symphony in C, Apr. 2, 3, 4, 6

Rijksmuseum

Tel: 31-20-673 2121 Shakudo; display of Asiatic objects highly popular in Europe and imported in large quantities by the Dutch East India Company, Mainly they were itoday goods such as sword hilts and tobacco boxes, to Apr 5

BARCELONA EXHIBITION

Museu Picasso Tet: 34-3-319 6310 Picasso - Engravings 1900-1942: temporary exhibition with more than 250 works from the Musée Picasso in Paris. It presents

CONCERTS Staatsoper unter den Linder

Tel: 49-30-2035 4555 www.staatsoper-berlin.org Barenboim in works by R. Strauss; Apr 3 and Chorus: concert by Schoenberg, conducted by David Pittman-Jennings and Chris Merritt, Apr 1 Staatskapelle Berlin. conducted by Pierre Boulez in with tenor Jon Villars and baritone Roman Trekel; Apr 4 Staatskapelle Berlin: in works by Beethoven and .

DANCE Deutsche Oper Tel: 49-30-34384-01

Deutsche Oper Tel: 49-30-34384-01 Der Fliegende Holländer: by

Picasso's engravings as a diary, a daily examination of his themes and techniques that inform the artist's work; to Apr 4

BERLIN

 Chicago Symphony
 Orchestra: conducted by Daniel Chicago Symphony Orchestra performance of Moses und Aron. Pierre Boulez, with a cast led by Mahler's Das Lied von der Erde, conducted by Daniel Barenboim Wagner, with soloists including tenor Jon Villars: Apr 5

Cinderella: staging by Roberto de Oliveira: Kevin McCutcheon conducts Prokofiev's score; Apr

Wagner Conducted by Rudolf

Piehlmayer in a staging by Götz Friedrich; Apr 1 Matthaus-Passion: Christopher Hogwood conducts Johann Bach's and Felix Mendelssohn's score; staged by Günther Uecker, Götz Friedrich

and Dietlinde Calsow, Apr 2, 4 Staatsoper unter den Linden Tel: 49-30-2035 4555 www.staatsoper-berlin.org Lohengrint by Wagner.
 Conducted by Daniel Barenbolm in a staging by Harry Kupfer; Apr

 Tamhäuser: by Wagner.
Conducted by Deniel Barsnboim in a staging by Harry Kupfer; Apr

BUDAPEST EXHIBITIONS . Hungarian National Gallery Tel: 38-1-375 7533 Jozsef Rippl-Ronal: most of the 250-pieces depict this famous Hungarian post-impressionist's hometown, although it also includes forays into decorative arts. His first exhibition since 1961; to Sep 6 Museum of Applied Arts Tel: 36-1-217 5222 Zsolney: the ceramics of the

Zsolnay factory in Southern

alongside Tiffany glass. Shows 200 objects from jewelry to

architectural ornaments produced

Hungary are said to rank

by the factory which was

founded in 1853; to Sep 27

CHICAGO CONCERT Orchestra Hall

Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: presented as part of the Great Performers Series in works by Mozart and featuring Alfred Brendel on plano, Katharine Gowers and Lucy Jeal on violing

HOUSTON EXHIBITION Museum of Fine Arts Tel: 1-713-639 7300 www.mfah.org Art at World Forty Years of the

Chase Manhattan Collection (shared with the Contemporary Arts Museum). Display of 77 works which chart the major movements in postwar American and European art. Organised chronologically the show at the Museum of Fine Arts includes works by Calder, Stella and Beuys; while the Contemporary Arts Museum features artists of the 1980's and 1990's including Basquiat, Cragg, Lichtenstein and Sherman; to May 2

LISBON EXHIBITION Centro Cultural de Belém Tel: 351-1-361 2400 Alvar Aalto in Seven Buildings: Centenary exhibition of the Finnish architect Alvar Aalto; until

LONDON CONCERTS Barbican Half Tel: 44-171-638 8891

May 16; to May 16

Orchestra of the Age of Enlightenment this period instrument ensemble makes a welcome return starring Nathalie Stutzmann (contratto) and directed by Catherine Mackintosh in works by Corell and J.S. Bach; Apr 6 Queen Elizabeth Hall Tel: 44-171-960 4242

Camerata Academica: in works by Mozart, with violin soloist Isabella Faust, and viola Tabea Zimmermenn; Apr 7 Royal Festival Hall Tel: 44-171-960 4242 Philhanmonia Orchestra: conducted by Vladimir Ashkenazy in works by Bernstein, Gershwin, and Rimsky-Korsakov;

Tel: 44-171-632 8300 Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by lan Judge; Apr 3 Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tierney as Salome in David Leveeux's production;

English National Opera,

London Coliseum

Apr 1, 7

LOS ANGELES CONCERTS Music Center: Dorothy Chandler Pavillon Tel: 1-213-365 3500 www.laphil.org
Los Angeles Philhermonic: conducted by Antonio Pappano in works by Honegger, Liszt, and

Mendelssohn; with Jean-Yves

Thiloaudet on plano; Apr 1, 2, 3 Los Angeles Philharmonic: conducted by Hans Vonk and featuring Lars Vogt on piano in works by Webern, Mozart, and Schubert, Apr 7

OPERA Metropolitan Opera, Lincoln Tel: 1-212-362 6000 www.metopera.org
Susannah: by Floyd. James

NEW YORK

Conton conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Apr 3, 6 The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging,

designed by Mark Thompson. The cast is led by Plácido Domingo (replaced by Yuri Marusin on Apr 3), Galina Gorchakova and Olga Borodina; Apr 3, 7

PARIS **OPERA** Opéra National de Paris, Opéra Bastille

Tel: 33-1-4473 1300 www.opera-de-paris.fr Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, Apr 1

TOKYO CONCERT Suntory Hall Tel: 81-3-3584 9999 New Japan Philharmonic: Hiroshi Wakasugi conducts in works by Alban Berg and Kurt Weill; with Mari Miderikawa and Michie Tatara es soloists; Apr 5

VIENNA OPERA Wiener Staatsoper Tel: 43-1-51444 Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood, with a cast led by

Leo Nucci and Eliane Coelho;

TV AND RADIO

Apr 6

 WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT:

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00; World Business Today

 Business/Market Reports:
 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN **ECONOMIC VIEWPOINT**

Lost art restored

The Bank of England governor has to send a letter to the chancellor if inflation deviates by more than one percentage point



It is with regret that I have to report that the UK rate of inflation RPIX (the Retail Prices Index excluding mortgage interest payments) has for some months been below the target rate of 2 ½ per cent per annum. It has now fallen to 11/4 per cent. As the deviation from the target now exceeds one percentage point I am required to write you an open letter accounting for the deviation and stating et action is to be taken to correct it.

The prospect of inflation falling below 11/2 per cent was reised by several analysts as far back as March 1999. The Monetary Policy Committee's own analysis was not incompatible with these outside forecasts. Indeed there have been several reductions in short term interest rates since RPIX first fell a decimal point below target in February 1999. The MPC continued this downward path despite a temporary upward "blip" in inflation as result of the impact effect of the indirect tax increases ourced in the 1999 Budget, it would nevertheless appear with hindsight that these reductions were

The reasons for the inflation shortfall are analysed in the last inflation Report. The weakening of world activity which began with the East Asian, Russian and Latin American crises in 1997-98 proved larger than the Monetary Policy Committee had anticipated. Further problems developed in the emerging economies in the course of 1999. In addition a major private financial institution was forced to seek official assistance from the US Federal Reserve. These external developments contributed to a ter than expected weakening of external demand.

was widely welcomed for its contribution to the underlying sustainability of the public finances. But it the short to medium term it had had a dampening impact on consumption – argustry because it was originally unanticipated, but subsequently came to be believed to be permanent. A contributory factor

ely the world recession of 1999 proved relatively short. But its impact on inflation in the me Industrial countries was sharper than would have been expected in the light of previous experience. A number of countries have experienced deflation in terms of their consumer price indices. There has quantity been a rapid recovery in world growth, which has been reflected in an annualised rate of growth of real GDP in the UK of 4 per cent in recent months.

This otherwise welcome recovery presents us with something of a dilemma. The normal response to a large undershoot of the target would be to undertake still further relocations of monetary policy.

Nevertheless s, 4 per cent growth rate is higher than simost all estimates of the underlying growth of UK productive capacity. On an optimistic interpretation of the size of the output gap, it would be possible to accept current growth rates for several more quarters without significant risk of a future deviation above target of RPIX. Indeed there are those who argue that as a result of the measures taken to improve the supply response of the economy, the rate of capacity utilisation associated with a steady state of inflation has risen; and the rate of unemployment associated with that state has fallen.

But great uncertainties still surround both the size of the output gap and the underlying UK grou The magnitude and duration of prudent further monetary relocation is therefore uncertain. The intention of the MPC is therefore to proceed step by step with cautious in short term rates. ensiyaling ambutando, with the aid of several models, the effect of the measures taken over our normal

We do however have to warm that in view of the well known time lags, inflation could carry on falling for a while before the full effect of the measures has been telt. It is therefore possible that we may have to write another letter of explanation in three months' time.

Yours sincerely

NOTE BY DOVERHOR'S SECRETARY The Governor is grateful for the draft letter. But in accordance with his normal practice he intends to rewrite the letter himself.

inflation target of 21/2 per cent, "Inflation outcon below target are viewed just as seriously as outcomes above the target." If the actual rate of inflation

The background to this

the Bank of England is

imagined draft letter is that

expected to focus at all times

on the achievement of an

departs by more than one percentage point from target the governor is required to write an open letter to the chancellor accounting for the deviation and explaining the steps being taken to deal with it and the period over which inflation is expected to return to target. Should the deviation persist for a further three months a second letter is required. When these arrangements

were announced, the deputy governor, Mervyn King, remarked: "The MPC will have many opportunities to restore the lost art of letterwriting to British life. And it is important to stress that avoiding the need to write such a letter is not the objective of monetary policy."

The deputy governor combine the advantages of an inflation range (such as the 1 to 4 per cent range originally put in place in 1993) with the point target which had been set by Gordon Brown. Mr King went on to explain that in the face of "shocks" tha MPC would be able to adopt a gradualist strategy for

Unfortunately, despite his words, the overwhelming mass of political and financial minion continues to regard all deviations from the target as abject failures.

People might wonder why 1 or 11/2 per cent inflation. should be harmful, especially as we have have been lectured on the evils of



inflation for decades. If inflation is had, surely the less of it we have the better, The reasons for the disapproval of very low rates of inflation can only be inderstood against the climate of opinion two years ago, when the present policy framework was devised. Given the long inflationary experience of the UK and other countries, most officials and economic advisers could not then imagine near-zero inflation except in the context of severe recession. By putting a downward as

well as upward limit on inflation, the chancellor therefore believed that he could prevent policy becoming too restrictive and also exercise a stabilising effect on real activity. Nevertheless he was relying

on a theory with only temporary and local validity. The correct and more basic theory links recessionary pressures not with the level of inflation but with its rate of change. One can envisage all sorts of situations in which 1 per cent inflation could be combined with rapid growth. The writer of the governor's draft letter has got his knickers in such a twist because the hypothetical situation is one of rapid recovery; and output may be

rising too quickly rather than

too slowly. And reference to

that back door depends on

some hazardous and time

bound theory unlikely to

survive in changed

an inflation forecast related to a target, fixed when inflationary expectations were much higher than they have since become, is no longer a helpful guide to policy. The moral is to be open about objectives and not to try to achieve them by some back door, especially when

LETTERS TO THE EDITOR

Investing with confidence in Latin America

From Mr Brendan Connell. to the Lex comment of March 25, regarding the attempted takeover of Enersis of Chile by Endesa

of Spain. America and been involved in the privatisation of the electric utilities in countless countries. All the main utili-Brazil) are already in private hands. The ones that are not are either "basket cases" till interest rates come

Chilean electric utilities are generation is enough to meet Since 1982, my company managed companies that of their investments.

capital investments. ties (with the exception of America. The "premium" it one of the most promising in offers would be small indeed the world. if the interest rates had not been pushed up by the "Asia Brendan Connell, that no one wants or waiting crisis" first and then the president, "Russian meltdown" second. Connell Associates. Most Spanish investments in PO Box 2051,

"market opening" moves of Sir, I must take exception modest and the internal cash Cortez and Pizaro, the first Spanish "investors" in the the requirements of their region. The unions have reainvestments in Argentina, son to oppose Endesa due to Peru, Bolivia and Brazil, to the methods the Spanish nee name a few. These are well- to milk more dividends out

has worked with electric manage to get "blood out of Investors in Latin America utilities throughout Latin a stone" when it comes to should not worry. It is best to know the companies and Endesa saw a way to milk the environment they are these companies for the ben- working in before investing. efit of Spain, not Latin but the region as a whole is

The capital needs of solid Latin America resemble the Wakefield, MA 01880, US

Japanese need to rely less on interpreters

From Mr Shingo Ocata. Sir, Pollowing Paul Abraham's comments on the ability of the Japanese to speak English ("At a loss for words", March 12), I would like to express my serious

concern about the reluctance, if not inability, of many leading Japanese in politics, government and business to speak English, despite the fact that they must have studied English quite a few of them must have spent some years in English-speaking countries.

Their reluctance must be based on several factors. such as laziness caused by the easy availability of inter-

even nationalism, and the still-remaining anxiety of tional gatherings. Despite those who can speak English not to be regarded as "too

westernised". Such reluctance has clear disadvantages. Expressions in Japanese are often ambiguous. Since professional interpreters are obliged to translate vague expressions literally, foreigners can be easily confused. If leading at school for years and that Japanese speak by themselves, they have to express their views more logically. and thus they can be better understood even if their English is much poorer than

that of interpreters. By relying too much on Ota-kn, Tokyo 145-0071

preters, some arrogance or interpreters, Japanese tend to be isolated at interna-Japanese wishes to be a bridge between east and west, the non-Japan east has already established closer relations with the west through the English language, without Japan's intermediary, as seen in the Asia-Pacific Economic Co-operation and the Asia-Europe

> For leading Japanese to speak English by themselves is the key for Japan not to go back into isolation.

Shifuro Ogata 3-29-18 Denenchofu.

Whole truth about Sweden's smorgasbord-raiders

From Mr Martin Orrbeck Sir, Tim Burt is, of course giving your readers the truth about Sweden ("Raid-26). But is it the whole

truth? I believe it is not. First, the high level of foreign direct investment Sweden is reporting is largely profits considerably. Tax on due to foreign acquisition of Swedish companies, not for Swedish residents should

investments in new produc- also be borne in mind. tive assets in the country. Second, when describing rise to the question of how a the corporate tax rate, one ing the smorgasbord". March must bear in mind that

Swedish shareholders are taxed on dividends received. This changes the picture of the total tax on corporate dividends and capital gains

Mr Burt's report also gives special income tax rate for foreign specialists will stop young Swedes from moving to other countries.

Priedrich-Herschel-Strasse 9, DE 81679 München, .

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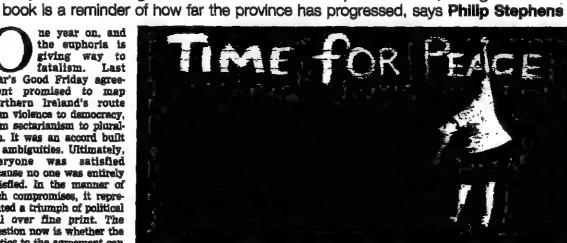
Decommissioning mindsets Despite the current gloom over Northern Ireland's peace accord, George Mitchell's

the euphoria is fatalism. Last year's Good Friday agreement promised to map Northern Ireland's route from violence to democracy. from sectarianism to pluralism. It was an accord built on ambiguities. Ultimately, everyone was satisfied because no one was entirely satisfied. In the menner of such compromises, it represented a triumph of political will over fine print. The question now is whether the

parties to the agreement can rediscover that will. George Mitchell's account of the frustrating and often dangerous process that led to the accord arrives, therefore, at a propitious moment. Mr Mitchell, the former US Senate majority leader, arrived in Northern Ireland at the start of 1995. At Bill Clinton's request, he was to spend a few months setting up a conference to attract US nvestors to the province. In the end, he stayed for more than three years; the last two as chairman of the multi-party talks that eventually delivered the agree-

His book delivers a sense of dejà vu. The issue currently threatening to destroy the peace process - the decommissioning of IRA weapons - has vexed it from the outset. Almost from the moment the Republicans called their first ceasefire in the autumn of 1994, the question of if, how and when they should surrender their guns and explosives has dogged and occasionally derailed negotiations.

Understandably enough, the surrender of weapons was cast early on as the acid test of the IRA's good faith. If, as their political leaders in Sinn Fein declared, the war against British rule was over, then why not hand over, or at least destroy, some guns? How else could the democratic parties with which Sinn Fein now wished to engage in shaping a new political settlement for the province be persuaded of its republican folklore would people would "drive 100 sincerity? After all, the IRA deem surrender. Unless Mr miles out of our way to had previously proclaimed it. Blair and Bertle Ahern, the receive an insult". It was would promote Irish unity Irish prime minister, can good advice. Through days with the ballot box in one once again find a route of often futile talks, he saw



tigh hopes: A child pleying in front of a more positive graffiti message in Ulster last year

The first IRA ceasefire ended after John Major's Conservative government had made decommissioning a prior condition for Sinn Fein's entry into the talks process. The second has survived thus far only because Tony Blair's Labour govern-

Until now, David Trimble's Ulster Unionists have acquiesced in that strategy. But now Mr Trimble insists that some decommissioning must

ment agreed to sidestep the



making peace George Mitchell

precede Sinn Féin's entry into the new Northern Ireland executive to be established under last year's political settlement. Gerry Adams, the Stnn Féin presithat he cannot deliver what he had to appreciate that hand and an Armalite in the around the roadblock, the at first hand the depth of the settlement will be scuppered. sectariznism.

The prospects, then, of a lasting peace would be at best precarious. This short book reminds

us of just how much is at stake. For all the sporadic bombs and killings during the IRA and loyalist ceasefires - and the brutally frequent punishment beatings Northern Ireland is no longer in a state of war. The organised political violence that claimed thousands of lives over three decades has largely disappeared. It would be naive to say that the sectarian divide has been bridged. But the politicians and former paramilitaries

are talking to each other. As Mr Mitchell puts it: "It doesn't take courage to the Byzantine complexity of shoot a policeman in the it all. back of the head, or to murcompete in the arena of democracy, where the tools are persuasion, fairness and common decency".

It is hard to imagine that Mr Trimble will ever like Mr Adams. Why should he? But that the leader of mainstream Ulster unionism is ready to talk to the most prominent figure in Sinn Fein/IRA is powerful evidence, despite the present uncertainty, of how far the province has progressed.

Mr Mitchell recounts that soon after he arrived in Northern Ireland he was told dent, is equally adament that to understand the place

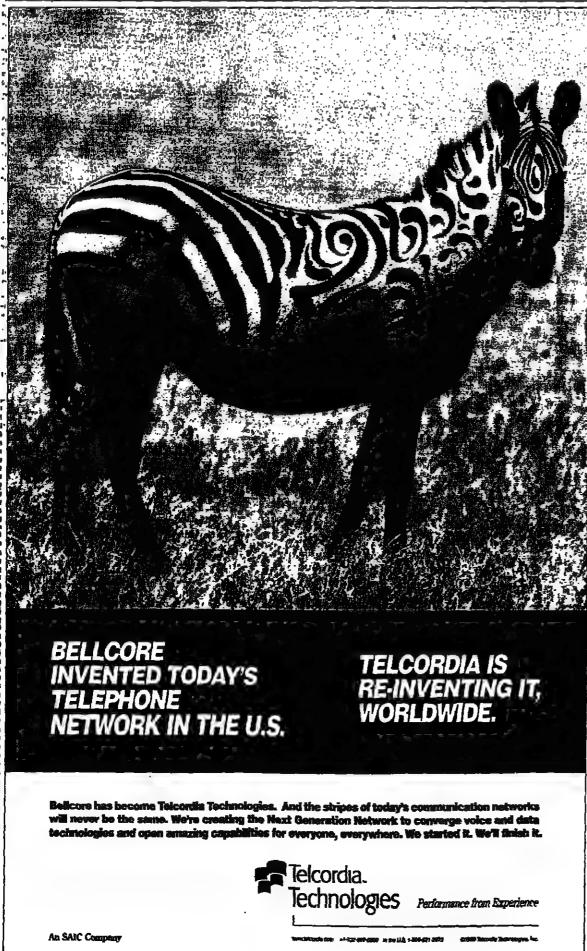
Generous in his assessments of Mr Trimble, John Hume, the leader of the mainly Catholic SDLP, Mr Adams and lovalists like David Irvine, Mr Mitchell cannot bring himself to show the same equanimity towards Ian Paisley and Robert McCartney, the leaders of the two, virulently sectarian. smaller unionist parties. It was their walk-out from the nego tiations, he concludes, that made the Good Friday deal possible.

Though scholars of the peace process will find little new in Mr Mitchell's account - as he says himself most of the detail was leaked at the time - it does remind us of

The Good Friday accord is der an unarmed taxi driver. built on three pillars - a What takes courage is to new relationship between relationship between the Irish Republic and the province, and a power-sharing assembly and executive in Belfast Each supports the

The real strength, though, lies in the framework that politics provides for the building of mutual trust. People who talk to, even shout at, each other find it a lot harder to kill each other. What Northern Ireland needs is trust.

The decommissioning of IRA weapons would help build that trust. But it should not be a precondition. As Mr Mitchell says, durable peace and reconciliation imply more than the destruction of a few (easily replaceable) weapons: "What is missioning of mindsets".



FINANCIAL TIMES

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Thursday April 1 1999

Deliberate use of force

Milosevic's offer to pull back return some of his troops from Kosovo in exchange for the allies stopping all of their strikes on his country, Even on military grounds, the offer was patently op-sided, and Nato was right to

The alliance has responded by ing the number of its targets. But, as it goes into an eighth day of bombing in a campaign that may last weeks more, It must continue to try to avoid military action that hits civilians, Excertairs the Rosevo Albenian refugees' plight, jeopardises western public support or alienates Serb opinion forever. It is a tall order. But Nino cannot allow Belgrade to get away with its claim that the refugees are fleeing Nato bombs rather than Serb aggres-

firmed a growing impression that the Yugoslav leader is losing touch with reality. Bizarrely, he was ready to promise a ceasefire last October in order to ward off a threat of Nato air strikes, and yet not when the bombs actually rain down on his country. The other immediate justification for Nato's rejection is that Mr Milosevic's words about taking "peaceloving refugees back into Kosovo are flatly contradicted by his border guards' actions. They have been removing identity papers from refugees as they cross into Albanian and Macedonis, hampering their chance of

Nato has rejected President ever proving their right to

Mr Milnsevic's overture came tribution" to resolving the conflict is puzzling. Mr Primakov says he will press on with efforts to find a peaceful, political solution, but for the moment he is on the wrong track. If the main problem with the Yugoslav leader is, as some analysts in Nato believe, that he is surgive him the truth, then the Russian prime minister may have compounded it with his visit to Belgrade. However, Russia is at least not siding militarily with Yugoslavia. And there may be a next time for Russia to use its

Though their war rhetoric has sometimes ranged to wider goals like deposing Mr Milosevic, Nato mum demands of Belgrade. First, a ceasefire. Second, a big reduction of Serb forces in Kosovo, from nearly 40,000 now to some thing like the 4,000 foreseen under the Rambouillet peace plan. Otherwise the hordes of refugees will never feel safe to return to Kosovo. Nor will they feel safe staying, unless Nato leads a peacekeeping force into the province. That must remain

Regional muddle

ncies that begin life today will "economic powerhouses", helping to increase prosperity,

Taken with the regional chamothers, that will oversee RDAs, and larger grants of regional the deputy prime minister says selective assistance. ent is "moving forward the principle of regional democracy". In future, regions that is what people want.

These are unrealistic ambitions to build on RDAs, which are appointed quangos with limited budgets and powers. The chambers, too, are not powerful: RDAs must consult them but they have no statutory authority. This is far

Political expectations in the English regions are likely to be greater than these bodies' capacity to deliver, particularly in the highly charged climate that surrounds the creation of the more powerful Scottish parliament and Weish and Northern Irish assemblies. The government has compounded the problem by tying the prospect of more local democ racy to the economic perfor-

nce of the RDAs The RDAs begin life with goodwill in their regions, making

John Prescott says the eight there was widespread criticism of English regional development their lack of powers. A stilly their lack of powers. A silly Whitehall turf war resulted in the Department for Education and Employment retaining control of Training and Enterprise Councils, and the Department of Trade and industry keeping the bers, comprising councillors and purse strings for Business Links

So far, relations on the ground with Tecs and others seem good. Ultimately, though, the issue of powers must be reopened. Economic development in the regions cannot be held bostage to ministerial vanities. It makes no sense for RDAs to devise strategies for skills, for example, without controlling their implementa-

tion. The thicket of overlapping agencies must be thinned out. Success for the RDAs would be good in itself and could well increase enthusiasm for regional government. The debate about regional democracy should not be dependent, however, on whethe or not these unelected quangos work. That is a debate of principle, philosophy and public will. tors such as the royal commission on House of Lords reform and the public response to Scottish and Welsh devolution may in any case move it at a faster pace, it is time for the government to stop trying to hedge its bets on devolution for the

English regions and make up its

ippeared a year ago. At that time

after six hours of talks with Yvegeny Primakov, the Russian prime minister. Quite how Igor Ivanov, his foreign minister, thereby made "an important con-

campaign against Yugo-slavia may have failed so far to achieve most of ives, but it has met one critical US goal: not a single American life has been lost in the first week of combat. in Kosovo – as elsewhere in air support and were faced with a

the Balkans, as in Iraq and Africa, and even in the global light against terrorism - the Clinton administration's military hiectives have once again been heavily constrained by the perseived need to avoid US casualties at almost any cost. As a result, the Nato operation

has so far been largely an extended version of the now familiar "Nintendo War" favoured by the world's only superpower - remote control bombing that minimises, or ideally even eliminates, the risk to American lives.

It is this overriding objective that explains why the US has set its face so firmly against the use of ground forces in Kosovo if Nato fails, as most strategic analysts believe it will, to bomb aion. Pentagon and White House officials refuse even to discuss the deployment of Nato troops.

says one, tersely.
For the foreseeable future, this reluctance to put soldiers into the line of fire will not grade the US's position as the world's

lonely superpower. From the start, the major European allies in Nato have been clear that Kosovo is too serious a matter for the Europeans to use as a testbed for the "Ruropean security and defence identity" that ambition of some European politicians one day to partner (even rival) the US in some parts of the world. This Kosovan fearfulness is shared even by a country such as France, which has the longest-standing and clearest ambitions for a Europe-only

At the moment, what this peans is that if the US will not field ground troops in Kosovo, neither will the Europeans. They were particularly insistent on that point earlier this year when Nato was planning the make on of its mooted peacekeeping force. There are, however, signs of stirring European concerns about Polls suggest only a minority of the US unwillingness to commit Americans think stopping the troops. As the carnage continues, there is a slight indication in Paris that as an absolutely last resort, some European allies might be willing to go in alone on the ground - without US soldiers - if they were assured of total US

seriously weakened Serb army. Whether they are really prepared to do that, of course, remains to be seen. All that is clear at the moment is that - for seeking to practise a kind of sanitised warfare that highlights the curious paradox of American forsign policy under President Clin-

The US enjoys a military superiority over other nations that no country has had for centuries. Its strategic interests dictate that it deploy that power to snuff out threats of instability across the

Yet its refusal to countenance the possibility of human casualties and the use of troops on the ground has led to a series of military-diplomatic failures. Saddam Hussein survives without even the hindrance of weapons inspec tion; Osama Bin Laden remains Somalia, the US has falled to use its military might effectively.

Instead of projecting its power to achieve specific objectives, the Clinton administration has developed a much more refined use of military power, now on display in the Balkans. This involves essentially the use of force as a sanction or punishment against international aggressors. Given the human costs of actually stopping Serb aggression in Kosovo, or removing Saddam Hussein, the US now simply proposes punitive action. "We are significantly raising the price to these people of behaving in ways that are unacceptable," says one national secu-

rity official. The hope is that the price will prove too high for most would-be ssors. But, as critics point out, the strategy does not seem to have worked well in most places where it has been tried.

The president's defenders say this constrained approach to foreign policy is simply a recogni-tion of political reality at home.

OBSERVER

strife in Kosovo is worth any significant loss of US lives. They are prepared to commit forces when they think US national interests are directly threatened, but not to aettle some far-off ethnic dispute in a country most cannot

Immaculate coercion

War in Kosovo has sharpened the US debate about whether you can be a superpower and not

put your soldiers' lives in danger. Gerard Baker reports on the world's reluctant policeman

not even place on a man. When, early in his presidency. Mr Clinton kept US forces in Somalia, sent initially by his pre-decessor George Bush to make peace between warring factions. there was lukewarm support at home. But when an American soldier was killed and US television viewers wake to the speciacle of his body being dragged through the streets of Mogadishu. public support for the campaign collapsed overnight.

ordere has been further limited by an increasingly sceptical con-grees. In both main political parties, powerful isolationist tenden

> 'From day one, Clinton gave foreign policy priority

cies are at work. Post-Vietnam

Democrats have been leary of most international adventures. And last week in the Sonate, Republicans - the party of George Bush, Ronald Reagan and Richard Nixon - voted by a twoto-one majority against even the use of air strikes against Serbia. Mr Clinton's supporters also say he has worked to explain the need for US engagement overseas to a sceptical domestic audience. They point out that he has authorised military action on more occasions than any president since the Vietnam War. And they also say that it is the Pentagon, not just the pollsters, who have been behind the "Immaculate Coercion" strategy. As Madeleine Albright once famously

remarked to General Colin Pow

all, the former chairman of the

Joint Chiefs of Staff: "What's the

point of having all this firepower

if you're never going to use it?"

The roots of this geopolitical American reluctance run deep. enthusiastic internationalists. Even at the moments of maximum danger for the world this century they were diffident about military engagement.

The ghosts of Vietnam, only partially exorcised by ultimate Cold War victory, continue to occlude the global perspective of most Americans. And that Cold War victory itself has, as Richard Hasse, a former Bush administration senior national security official, points out, powerfully undermined popular inclination

The end of the cold war significantly lowered the stakes in any foreign military venture. It has become much harder to convince people that the survival of our very way of life is at stake in conflicts in eastern Europe,

Africa or Asia," he says. Even the experience of the one great post-cold war military operation has, paradoxically also increased the nervousness among political and military leaders sands of casualties, lost fewer than 200 men in combat, might have been expected to make Americans less rejuctant to project their power around the world. But the relative sees of that success has instead cemented the notion among the public that wers can be fought at minimal cost - and greatly raised the notential political cost of fighting a war that is not so easily won.

But the president's critics contend that the US's modern role as the reluctant superpower, in Mr Hasse's phrase, owes much to the mishandling of foreign policy in the six years Mr Clinton has been at the White House.

While they acknowledge that Americans have always been ner-Your about foreign wars, and have become more so since the end of the cold war, they argue but the Choton edministration's diplomacy has been hanhazard at

"From day one, Clinton gave foreign policy a very low priority", says Lawrence Korb, a national security specialist at the Council on Foreign Relations. "It's the economy stupid', may elected," Mr Korb adds, "but it should not have meant the rele gation of foreign policy in gov

Indeed, Mr Clinton was elected at least partly because his prede-cessor was seen as too focused on economy was tumbling into recession. And Mr Clinton's own uncertain relationship with the military has probably not enhanced his leverage in Amer ica's global role. His opposition to the Vietnam War, allegations of draft-dodging and the reputed remark in his youth that he "loathed the military" may have had the paradoxical effect that he has been less inclined to argue with the Pentagon when it casts doubt on the wisdom of US

It would be unfair to accuse Mr Clinton of having ignored foreign policy; in fact, like all presidents, he has become increasingly enmeshed in events oversess as his term has gone on. And few of about international engagement. his critics would dispute the The stunning victory in the Gulf proposition that the president is War, where the US, in spite of a genuine internationalist. His times hostile domestic environ ment over the North American Free Trade agreement and the WTO and his commitment of US resources, suggest he has been willing to take risks.

> But he has clearly been much more effective at mobilising domestic support for these, fun damentally economic international policies, than he has at the more narrowly political or secu-

And perhaps, most of all, as Mr Hasss argues, Mr Clinton does not seem to have tried hard to educate the American public at a US global role, "Of course the American people are sceptical of engagement in obscure foreign parts," he says. "But that just increases the need for the president to explain in detail, at length, and with real commitment, why , sometimes, non-enexerment is not an option."

Addittonal reporting by David

Thailand's deficit

That the International Monetary Fund has sanctioned a budget deficit of 6 per cent of gross domestic product in Thailand is a measure of just how far the Fund's attitude has changed since the start of the Asian crisis. Maintaining growth is now the chief macroeconomic aim. How long this growth can last, though, depends on the Thai government's determination to push through financial sector reform.

Thailand's fiscal package, announced on Tuesday, concen-trates on measures to boost consumer demand. The sheer size of the measures mean that they should have a reasonable impact on growth, particularly as Thai consumers have endured a lean 18 months when many purchases will have been deferred

But a consumer spending boom is not enough to create a sustainable recovery, particularly with weak global growth, and the region plagued by overcapacity. And crucially, the economy can only start to return to normal when its huge private debt overhang has been resolved.

The government has been introducing measures to tackle the debt problem, but progress has been slow. A new bankruptcy law was due to be passed last October, but political wrangling delayed it until early this month. This has seriously impaired the for reform and economic growth. banks' ability to clean up their If it fails, prospects for recovery balance sheets, and has given will be dealt a severe blow.

debtors little incentive to repay loans. Bad loans have soared to 46 per cent of total debt.

Meanwhile the government's banking reform programme, announced last August, has met with little success. Banks have been reluctant to accept government money for recapitalisation, ild mean a large financial penalty (in terms of early provisioning) and the dilution of ownership. Instead, banks bave reined in their lending, in an attempt to bring their capital ratios back to acceptable levels. This reluctance to lend means that the fiscal stimulus may not

impact as might be expected. The good news, though, is that the right conditions are now in place for large-scale debt restructuring to take place. Markets are stable, and interest rates low. There is political stability. The bankruptcy law, though untested, is in place. And the demand stimulus will provide the

have as great an economic

opportunities. But these conditions will not last long. If economic growth sags, reform will become more difficult. And elections due next year could cause further disruption. This latest fiscal package looks like the current government's last-ditch attempt to push no furv

was, by all accounts, a glittering affair - apart from the tomential rain. But at the recent mogul-in-the-making Lachian Murdoch and Australian model Serah O'Hare the thunderclouds weren't just confined to the sky. The 20-something son of News

Corporation boss Rupert Murdoch finally got hitched in deepest New South Wales, away from the inquisitive gaze of the world's paperazzi. The 70 guests - who did not include Murdoch senior's new girtfriend, TV executive Wandy Deng - were wined and dired in a Moroccan themed marquee before waitzing and tango-ing the night away.

But Anna Murdoch, who's ambroiled in a bitter divorce battle with Lachlan's dad, wasn't doing to let the assembled riends and luminaries sito off back to their bads without a wry aside aimed at her husband of banks with visble new loan 31 years. La Murdoch took the stend for her speech with the quip: "Now I have the microphone and one man in the room must be rather nervous." Revenge, you'll remember, is a

Apple pie

DaimierChrysier wants to lose its accent. Royally fed up with talk that it's becoming more and

more Teutonic, the car company's trying everything to convince investors that it's at least half American.

The merged megalith has been thrown off the Standard & Poor's 500 index because it's incorporated in Germany, and It's lost nearly half of its US investors since Daimler and Chrysler were joined in metrimony in

searing fruit. Pure-bred German car companies still have conferences of Wagnerian length - occasionally complete with self-immolation scenes - but vesterday DaimlerChrysler clocked in at a zippy two hours. And joint boss Jürgen Schrempp has traded in his silvery glasses for a pair of hom-rimmed spectacles that

Still, some of its efforts are

would grace the face of any Wall But Observer can't help feeling that there's still a fair-sized fly in the ointment. The buffet didn't include hemburgers and not a drop of Coca-Cola was to be

Dynamic duo

Quelle coincidence that Belgian financiar Baron Albert Frere should emerge as a eizeable shareholder in Bouygues, the French group with fingers in the construction and elecommunications pies After all, just a week ago the

Baron's friend Bernard Amault.

who's made a mega-business out of purveying handbags and champagne to the world, came out as the holder of a 4 per cent take in the company. The two men made a big

anlash in the wine world last year when they teamed to buy Chateau Cheval Blanc, the most famous St Emillion label, leaving Litiene Bettencourt, France's richest woman, trailing behind in

But Frère tells Observer he and his pal go back a lot further than that. "We have known each other for a long time," he confides. "He has children who are practically the same age as mine. Frère's on the board of LVMH,

Amault's luxury goods leviathan. The pair are even neighbours in the chic resort of Saint-Tropez. "He has a lovely ville on the sea and I've got one inland," rhepsodises the Belgian Baron. But are their pads built by Bouygues? That'd be too much of a coincidence.

Prayer power

it could only be in Colombia. A growing Easter-week Industry might put a dent in the profits of the country's flak jacket pushers. Left-wing quertiles, right-wing paramilitaries and plain old soldiers are getting on down with a musi which - it's said - makes them invulnerable to fiving

At michight tomorrow, boly men across Colombia's war-tom

countryside will charge fat wads of cash to out ministur fist-shaped figures from special trees and insert them beneath

The surgery's complemented by a potent dose of prayer and a promise that immunity from bullets will follow, Doctors and Catholic priests

shun the practice as a rip-off, but tales of miraculous events on the battlefield abound. Still, given the escalation of the country's civil war, Observer hopes believers put on their bullet-proof jackets ited in case.

Pretty face

Jill Barad may be seven years fortieth birthday comes this year, but the chairman and chief executive of Mattel seems determined to drag the wase-waisted womanette into the 21st century.

Mattel's annual report. published yesterday, lifts the lid on with-it 1999 lines such as Millennium Barble, Generation Girl Barbie and the Working Woman Barbie CD-Rom, this last complete with "print features for letterhead, business cards, labels and other office themed

After the departure earlier this month of Bruce Stein, Barad's number two. Observer wonders whether those activities include parting company with senior

Financial Times

50 years ago

Churchill On Technology

Mr. Winston Churchill, speaking before the Massechusetts Institute of Technology, said that upon technology. "It is because the Americans, like the pre-war Germans, have institutions for the advanced training on numbers of high-grade engineers that the output per head and consequent standard of life are so high." End Of The Andes Pact

Buenos Aires, March 31, It is understood that the Argentine Government will formally give notice to the British Government to-day that by virtue of the expiry of the Andes Agreement to-night it will proceed to refund to the United Kingdom the amount by which shipments from the Argentine under that agreement have fallen short of the amount stipulated. One lesson at least has been clearly demonstrated by this experience, that Government are not the ideal protagonists in a bargain about prices and terms of delivery. The Argentine Government is able to interpret the agreement in ways the British negotlators certainly never intended.



THURSDAY APRIL 1 1999



THE LEX COLUMN

Smoke bomb

Litigation worries have returned to haunt the tobacco industry - and this time the threat is from individuals. The \$80m in damages granted by an Oregon jury to the family of a cancer victim, the second big award in two months, has hit the stocks. Shares in Philip Morris, which lost both cases, have fallen 16 per cent in two days, while RJR Nabisco is down a tenth and BAT off 5 per cent.

The industry has for years faced hundreds of individual US lawsuits. But in contrast to claims by the US states, settled last year, these were not seen as much of a problem. Until last month, Big Tobacco had only lost three times, the awards were small and all were overturned on appeal. That may still happen in the latest two cases. But punitive damage awards are growing alarmingly, following bad publicity arising from leaked industry documents. Investors, who had not bargained for this extra fallout after last year's settlement, are voting with

More than ever, the tobacco sector now divides into two. The first group, exposed to the US, faces not only litigation but poor fundamentals as price rises hurt volumes. Despite rock bottom valuations -Philip Morris is on a price/earnings ratio of 10 - these stocks remain risky, Investors should instead concentrate on the Europeans - such as Imperial, Gallaher, Tabacalera and Seita - which have few legal worries and a chance to benefit from

French unemployment

At first glance it looks like a bad week for the French economy. The finance ministry has cut its 1999 growth forecast from 2.7 per cent to 2.2-2.5 per cent, and the jobless figures showed an uptick. Unemployment remains uncomfortably high at 11.5 per cent, with the main demon being the social charges that deter employers

from taking on permanent workers. But this blip in unemployment is actually a symptom of greater flexibility in the French labour market. It was accounted for by a wave of temporary contracts coming to an end in retailing - seasonal effects - and at companies exporting to emerging markets. About half the jobs created in the private sector over the past

News

International News



an important safety valve on corporate costs. Other positive effects have been on annual earnings growth - still subdued at about 2 per cent - and on negotiations over the 35 hour week, easing the way for wage freezes and flexible working.

The risk is that a prolonged halt in the decline in unemployment might prompt the government to increase employment subsidies, which are already high. The latest example of this are tax breaks to companies adopting the 35-hour week and taking on more people, it is estimated these could cost FFr2bn in 2000. Until France makes it easier for real jobs to be created, the price of labour flexibility is a stubbornly high level of unemployment.

Mannesmann

In the excitement over Mannesmann's proposed DM15bn (\$8.20bn) purchase of Olivetti's stakes in Omnitel and Infostrada, two fast growing Italian telecommunications businesses, investors have forgotten all about the German company's stodgy engineering core. As yesterday's results show, Mannesmann's unglamorous automotive, engineering and tubes sales still account for around 80 per cent of the group's total turnover. Yet their low rating relative to Mannesmann's stellar collection of European mobile assets means that they now represent under 20 per cent of its enterprise value on a break-up basis.

No one could dispute that Mannesmann's transformation from industrial three years have been temporary, creating group to fast-growing telecommunications

service provider has created enormous value for shareholders. Just look at its spectacular share price rise; over the last year, it has been the second best performer in the Eurotop 100, after Vodafone. But since it still suffers from a 15-20 per cent conglomerate discount there remains value to be released from a Vodafone/ Racal-style demerger. The risk is that if Mannesmann does not break itself up, someone else will do it. Hence the bid premium that has lately crept into the shares. With its even fancier paper, Vodafone could possibly contemplate a hostile bid. At the moment, however, Mannesmann's engineering businesses, which are Dusseldorf's largest source of employment, serve as a nasty poison pill. Shareholders should demand its removal.

This is the sort of problem Germany would die for: the Irish economy is forecast to grow a cracking 9,3 per cent in 1999, according to the European Commission. And inflation, estimated at 2.2 per cent, looks harmless. It is not, though, House values have soared - up 30 per cent year-on-year in Dublin. At some point, this will feed through into higher prices. Ireland has been lucky so far. A deal between government and unions has underpinned wage restraint for the last few years, as has the flow of Irish workers returning to the country. Mortgage costs have also fallen dramatically, as interest rates were slashed to squeeze Ireland into the euro-zone.

Nonetheless, the Irish economy and Irish homeowners are heading for pain when the current asset price bubble bursts. The problem is what pin the government can use to administer the pricking. It cannot tighten monetary policy. Fiscal tightening would have to be dramatic to hit consumer confidence quickly. It may also upset the basis for further wage deals, as past agreements bought off the threat of big pay increases with tax cuts. Furthermore, fiscal tightening looks hard to justify when the government is actually running a structural budget surplus. So it cannot even argue that tax rises are needed in order to improve the state of public finances. Still, things could be worse. At least the sluggish UK economy has not fuelled an Irish export boom.

PROPOSED LAW WOULD ALLOW GOVERNMENT TO IMPOSE LIMITS ON SPENDING

Cardoso pins Brazil's hopes on budget controls

By Geoff Dyer and William Dawkins In

President Fernando Henrique enforce greater budgetary discipline at all levels of government.

The fiscal responsibility law, the linchpin of plans to reform the country's bloated public finances, is to be sent to Congress next week. The proposal would allow the gov-

erament to impose strict limits on all areas of spending, including on state governors and city mayors, and establishes penalties for those who exceed their budgets. However, a plan to reform Brazil's complex tax system - a vital part of

the government's long-term fiscal reform agenda - would not be passed this year, Mr Cardoso said in an interview. Itamar Franco, governor of Mines

Gerais state, triggered devaluation of the Real in January when he declared a 90-day moratorium on the state's debt repayments to the federal government.

Real has reduced the risk that Brazil would experience a financial meltdown in the short term. However. Cardoso of Brazil yesterday threw attention is now turning to the govhis political weight behind a move to ernment's longer term plans to reform public spending.

in some of his first public comments since the January crisis, Mr Cardoso said that the impact on inflation from the devaluation had been lower than expected. "Now we must keep the budget under control and not allow a wave of optimism

without reality," he said. The fiscal responsibility law was now the priority, Mr Cardoso said, adding that it should be approved by Congress because it requires only a simple majority vote.

Analysts believe that if the bill is passed without being diluted, it could substantially improve the government's ability to control spending. However, they said it was likely to meet considerable opposition.

Mr Cardoso said that plans to reform the tax system would not be completed this year because of the political complexity of the subject. Ref preses Brazil, Page 8.

this year and clarify the important

As a result of the crisis, Mr Cardoso said Brazil now had a responsibility to set out a new agenda for Mercosur, the South American trade grouping including Argentina, Uruguay and Paraguay.

We have to ask if it is compatible to have a fixed exchange rate regime in Argentina and a floating one in Brazil, and if not, what can we do about it." Mr Cardoso said.

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BOOKER TO A

The International Monetary Fund yesterday delivered an upbeat sessment of the Brazilian economy's performance, as it approved a \$4.9bn tranche of credit as part of its \$41.5bn rescue package, Richard Wolffe writes from Washington.

Stanley Fischer, acting managing director of the IMF, said as long as the Brazilian authorities maintained a strong monetary policy to keep inflation under control, it was "reasonable" to expect that nominal interest rates would decline.

Unionists hint at concession in Ulster deadlock over arms

By John Murray Brown in Belfasi

The outlines of a possible deal to end the impasse over paramilitary arms in Northern Ireland emerged last night as David Trimble, the Ulster Unionist leader and the province's first minister, hinted at a concession to Sinn Féin.

Mr Trimble indicated that his party might allow the IRA's political wing to join the proposed 10-member power sharing executive provided the IRA's political wing gave a

"clear commitment" to disarm. The Ulster Unionists have hitherto insisted the IRA start to disarm beforehand. Mr Trimble said: "What we would like to hear from the republican movement is a clear commitment to ending the war, to decommissioning, to disarming in accordance with the agreement, in the timescale of the agreement - and we want of course for that process to begin in a credible way."

However Sinn Féin last night Neeson, leader of the bicommunal

for a deal. Mitchel McLaughlin, the party chairman, said the Unionist demand was "manifestly impossible to deliver on outside of the strict terms of [last year's] Good Friday

As Tony Blair rejoined parties at Hillshorough for what was likely to be an all-night negotiation session, a senior official said agreement was "do-able and do-able before Friday".

While difficulties remain to be overcome, the UK prime minister and Bertie Abern, his Irish counterpart, signalled that "significant progress" had been made to resolve the arms row between Sinn Fein and the Ulster Unionists. Mr Blair said officials were working on "detailed pro-

possis to make it all happen". Both governments yesterday took heart from the IRA's traditional Easter message, which unlike earlier statements, did not explicitly rule out arms decommissioning. Sean

Alliance party, said: "I still believe there is a 50-50 chance of a result being achieved."

Agreement would allow the power sharing executive to be set up, pav-ing the way for authority to be formally transferred, restoring limited self rule to Northern Ireland for the first time in 28 years.

Mr Ahern indicated there was now "one point [of disagreement] and

that is about timing and dates". Last year's Good Friday accord stipulates that all illegal arms be decommissioned by May 2000, and makes no explicit link between disarmament and the formation of the power sharing government. But Mr Trimble's remarks pointed

to a possible compromise which would see the IRA undertake to start the process at a later date while committing itself to complete the destruction of its arms within the 14 month period.

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"Danseuse au repos" by French artist Edgar Degas, on display et Sotheby's in London yesterday. The painting, which dates from about 1879, is expected to fetch more than \$8m at auction in June.

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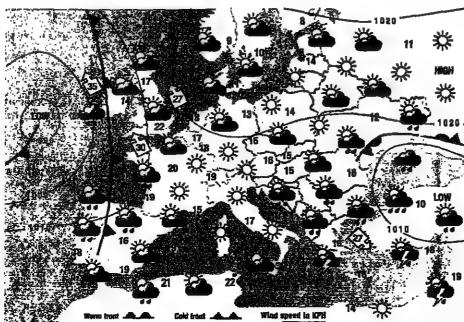
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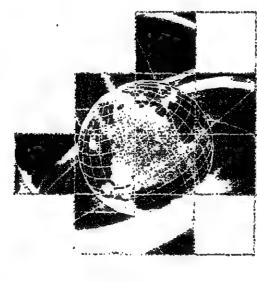
FT WEATHER GUIDE

Europe today and mild with a good deal of sunshine, but sharp showers are likely to affect north-western France. The Iberian peninsula will be showery though interspersed with sunny spells. Most of central and eastern Europe, along with southern Scandinavia, will be fairly Norway will have showers and the occasional longer spell of rain, While the eastern Mediterranean W have some thundery downpours. The rest of the Madke be warm and sunny.

Five-day forecast High pressure will build over liberia throughout the weekend Introducing drier conditions. Heavy rain will move into France on Saturday while the eastern Mediterranean will probably remain showery. Scandinavia will turn a little colder before milder conditions



Wind speed to KPS return next week. **'PA'WEATHERCENTRE** TODAY'S TEMPERATURES WITHOUT CONTROL 3000



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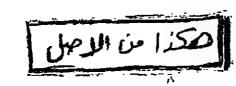
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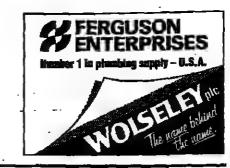
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COMPANIES & MARKETS

DAIMLERCHRYSLER CHIEF SAYS MARCONI TIE-UP 'SHATTERED DREAMS' OF CREATING A PAN-EUROPEAN DEFENCE COMPANY.

THURSDAY APRIL 1 1999



INSIDE

Olivetti takeover battle hots up The takeover battle between Olivetti and Telecom Italia, for long a phony war, is starting to get serious ahead of crucial shareholder meetings that will decide the fate of Europe's biggest corporate takeover. Page 22

Oil prices rise above \$15 a barrel World oil prices rose above \$15 a barrel in London for the first time since October, continuing a rally that has added \$4 to the price of Brent blend in a little over a month. Page 30

Lundberg sparks revival at Elektrim When rebellious foreign shareholders forced the appointment of Barbara Lundberg last month as chief executive of Elektrim, Poland's biggest industrial group, analysts wondered how quickly an American businesswoman with little Polish could get a grip on such a diverse company. She has got off to a flying start. Page 20

Moody's warns on Japanese debt Moody's, the US credit rating agency, warned that the financial position of some of Japan's local governments now appeared to be worse than the central government because of their spiralling levels of debt. Page 23

Competition hits US life assurers The future of the US life assurance business has begun to take shape as the largest mutuals seek initial public offerings. The biggest groups in the industry have set their strategy for coping with unprecedented competition from other financial services companies but this could require them to change their products. Page 20

East Timor hopes for coffee republic If East Timor succeeds in breaking away from indonesia its greatest hope for achieving economic self-reliance could be coffee. Page 30

Nordic glants' contrasting fortunes Nokia and Ericsson, the Nordic region's largest companies, lead the booming cellular telephony market. Yet in the past year shares in Finland's Nokia have risen almost 200 per cent, those of Sweden's Ericason 6 per cent. Page 40

That shares suffer from tax cut shub Bangkok investors were unimpressed by a \$3.5bn package of tax cuts and government. spending and shares fall steeply. Page 40

'Unexploited profits' in Brady bonds A careful examination of the credit quality of individual Brady bonds reveals the potential for "unexploited profits" by using the right trading. strategies, according to new research. Page 28

European equities close higher Most European equity markets closed higher despite a sluggish start on Wall Street and weak economic figures from France. Page 27

Enron makes euro bond debut Enron, US energy company, made a £400m euro-denominated bond debut. Page 28

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Recent issues, UK Short-term but rates Stock markets at a glance

18 Toronto-Dominion

Three more UK executives top £1m

Schrempp, co-chairman, came

as the company announced

that sales rose 6 per cent in

the first two months of this

year, from €19bn to €20bn

(\$21.4hn), compared with the same period last year.

DaimlerChrysler first voiced

its opposition in January when

British Aerospace announced its £7bn (\$11.3bn) purchase of

Marconi, the defence division

of the UK's General Electric

Company. At the time,

DaimlerChrysler unit Dasa

said one of its main objections

was that the new BAe/Marconi.

and Elizabeth Robinson

Another three UK company chief executives have broken the film remuneration barrier. according to annual reports

out-yesterday. At Pearson, which owns the Financial Times, Marjorie Scarding, chief executive. received total remuneration of 21.04m (\$1.67m) ~ including a bonus of £545,000 - for the

Niali Fitzgerald, co-chairman of Unilever, saw his salary rise from £800,000 to £680,000, while his total pay after benefits of £104,333 and a rise in performance-related bonus from £240,000 to £332,000 came to £1.116m - 19.4 per cent up on the year before. Peter George, chief executive of Ladbroke, which is changing its name to Hilton, nearly doubled his remuneration to £1.32m, from £745,000 the year before The reward included £573.000 relating to an incentive plan

that matured in June.

Pearson also announced plans in its report for a long-term incentive scheme for executives aimed at increasing their reward if the company performed well. It said this would help it compete with US executive pay levels. Sir Dennis Stevenson, chair man, said the majority of the company's top executives now worked outside the UK and their current compensation is uncompetitive on an international basis". The news follows controversy over a pay and shares package awarded to Jan Leschly, chief executive of SmithKline Beecham, that

could be worth up to £80m. Sir Dennis said Pearson. which gained nearly half its sales and profits from the US even before the \$4.6bn acquisition of the specialist publishing arm of Simon & Schuster, needed to pay more to "retain

Pearson is to ask for share holder approval for its reward plan for senior executives at its annual general meeting on

April 30. The plan includes a . premium option" under which executives will be rewarded if Pearson's share price grows by 25 per cent over three years, 50 per cent over five, 75 per cent over seven, and an equity incentive" alement allocating shares according to growth in

free cash flow. .. The company amounced at its preliminary results that it was allocating film to pay each of its 13,000 eligible staff a 3 per cent bonus together with 15 free shares to mark its 20 per cent growth in underly-



rChrysler chiefe Robert J. Eston, left, and Jürgen E. Schrampp, right, with finance board me

but good news here," coresearch on fuel-cell drives and "But things will take time." Mr hattery-operated vehicles.

Schrempp added that most integration projects would be explain how it would boost the Asian commercial vehicle finalised by the end of 3001, interest for its shares among market". He added that it may but that the integration of US investors. Nor did it clarify develop a mid-sized commerpeople and cultures could take its ambitious plans in Asia, despite forecasting that the company still expected to forecasts of increasing 1999 Financial services have already been put under one boost group sales to that sales and operating profit each roof in Berlin and the two region from about 8 per cent to by 4 per cent on an upbeat Cheever, Page 17

companies have started joint 25 per cent of group sales. outlook for the US and a Mr Schrempp said Daimlerhattery-operated vehicles. Chrysler "remains particularly Europe. It expected to post DaimlerChrysler did not interested in making a jump in €137bn in sales, up from

DaimlerChrysler based its

mixed-to-moderate outlook for €137bn in sales, up from €131.8bn in 1998.

In 1998, DaimlerChrysler increased its net income. excluding non-recurring items, by 29 per cent to €5.22bn from

Fines for share 'misconduct' Morgan Stanley and ABN Amro ager, are also being investigated by the US Securities and Amsterdam it had co-operated

securities arms censured after London Stock Exchange inquiry

By Clay Harris, Banking Corresp

Two leading securities firms that accepted orders which included the request to move the price of a share were fined "misconduct" yesterday by the London Stock Exchange

merged companies was going

smoothly, allowing the group

to create the promised €1.3bn

synergies this year.

There is absolutely nothing

chairman Robert Eston said.

as long as five years.

ABN Amro Equities (UK), owned by the Dutch hank, was fined \$250,000 (\$402,000) and Morgan Stanley Securities, part of Morgan Stanley Dean Witter of the IIS, was fined £100,000 for transactions which took place in September and

October last year. The fines are the largest

ment bank's traders tried to September 2, while the larger te the FISE 100 index with last minute trading in a handful of shares.

The stock exchange yesterorders handled by ABN Amro and Morgan Stanley, as the rule breach fell far short of the manipulation involved in the J.P. Morgan case.

it is not clear whether any of the trades had any effect on the share price involved, and it is possible the company itself did not know of the investiga-

The transactions, on behalf of an unnamed US fund man-

SEC would not comment yes-

Morgan Stanley was fined ABN Amro line was be "unusual trading activity in October 1998".

The spotting of that activity by the stock exchange's realtime surveillance system is believed to have sparked the investigation of other deals done in London for the client, including the September trading by Morgan Stanley.

The investigations were first reported in January when ABN Amro parted company with a senior New York-based trader in European securities Another London-based trader has also left the broker, formerly Hoare Govett.

ABN Amro said yesterday in Exchange Commission. The fully with the stock exchange investigation and had nothing to add to its statement.

Morgan Stanley said: "Mor-1997 after two of the US invest- for deals done on a single day, gan Stanley Securities did not give effect to any improper st and all trading effected by [lt] for the customer was conducted in accordance with the rules of the exchange."

After its own investigation. Morgan Stanley is believed to have concluded that its role was an isolated incident which did not involve melicious The matter was dealt with

internally in a way that did not involve any dismissals. The Financial Services Authority declined to say whether any related investigations were under way under its

Ford begins reshuffle at Volvo Cars

By Tim Burt in Stockholm

Ford of the US, the world's second largest automotive group, is to appoint a new chief financial officer and head of marketing at Volvo Cars after yesterday completing the SKr50bn (\$6bn) acquisition of

the Swedish carmaker. The plan is the first sign of a reorganisation at Volvo Cars following its disposal by the Volvo parent company, which intends to use the proceeds to expand in commercial

Knut Simonsson, head of marketing of Volvo's car division, has decided to leave the company after 13 years.

The group said Mr Simonsson was leaving for personal reasons. People familiar with the situation said he was "unhappy" at changes in marketing functions ahead of the Ford deal.

Last month, Volvo Cars said two advertising agencies -Foreman & Bodenfors of Sweden and MVBMS of New York would "globally supervise" its future marketing.

Separately, Tuve Johannes-son, president of Volvo Cars, has begun a search for the vacant post of chief financial

"It is expected to be someone from Ford. It is vital that the executive group has someone company works," said a

Mr Johannesson and Mr Simonsson were unavailable for comment.

The reshuffle follows the appointment of Wolfgang Reitzle, the former head of markets and products at BMW. as the president of a new luxury car group within Ford comprising Volvo. Lincoln in the US, and Jaguar and Aston Martin of the UK.

Yesterday, Volvo said it had received the first instalment of Krifbn from Ford for its car division. The group has also received a SKr17.7bn dividend from its car division as part of the deal. The payments - to be followed in two years' time by a final sum of \$1.6bn - have increased Volvo's estimated cash reserves to more than

Volvo's B shares closed unchanged at SKr215.50, valuing the group at SKr94.7bn (\$11.5bn).

AOL is world's most valuable media company

America Online is now worth more than Walt Disney. Viacom and CBS combined, according to investors who stock market value up \$62hn in four weeks.

The latest rally in the shares of this online media and entertainment company has put

as pice (S)

mance in the shade.

However, the company's emergence as the most valuable media and entertainment company in the world - a mantle it took on earlier this year - owes more to stock market enthusiasm for the internet in general than excitement over AOL's own prospects, according to Wail Street

analysis. -The latest bout of enthusiasm for AOL has lifted its market capitalisation to about \$140bn, compared with the \$86hn value placed on Walt

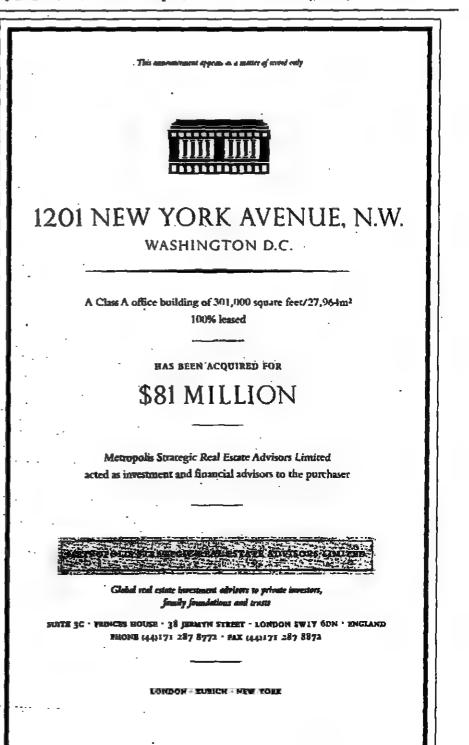
and the \$30hn of CBS. A stock market reasse Warner over the past six months has driven that company's value up by 75 per cent, to

The latest stampede into AOL's stock reflects an attempt by many institutional the stock market's first big internet wave at the turn of the year, to make up for lost

Many investors have now given up trying to put a value on internet stocks and have decided that they cannot afford to be left out of an industry that has such huge potential, said Abhi Gami, an internet analyst at brokerage William Blair.

That has created massive demand for AOL, which is rare among internet companies in having a large enough "float" of shares trading on the stock market for big investors to accumulate the positions they rant, he said. With 16m subscribers and

revenues expected to top \$4bn this year, AOL is one of the few pure online companies to produce a profit, earning \$134m last year. However, its earnings are dwarfed by the combined revenues of \$45bn and earnings of \$2.5hn that Disney, Viacom and CBS are expected to produce this year. These companies also boast some of the most successful ings, including Disney's new owns with Infoseek, and Viacom's MTV site.



Tryg-Baltica rejects DKr10bn Codan bid

Copenhagen and Nicholas George in Stockholm

The consolidation of the Nordic insurance industry took a new twist yesterday when Tryg-Baltica, Denmark's leading non-life insurance group, rejected a tentative DKr10bn (\$1.44bn) takeover bid from rival

Tryg said it was sticking to earlier plans to merge with Unidanmark, the counbiggest financial services groups with a market capi-

talisation of about DKr34bn. Hugo Andersen, Tryg chief executive, said: "The entire management still believes that the proposed merger with Unidanmark is to the long-term benefit of shareholders, customers and employees. The overture from Codan

followed suggestions that Unidanmark's Dkr8.8tm offer

try's second largest bank, to for Tryg seriously undervalcreate one of Scandinavia's ued Denmark's leading insurer.

> Late on Monday evening Peter Zobel, chief executive of Codan, invited Tryg to explore a merger. "It would be sensible to combine the two insurance companies, with Codan taking over Tryg's share capital for a cash price which reflects Trye's true value which we put at around DKr200 a

rivals, which lead the mar

ket in traditional life insur-

ance products - have

The biggest groups in the

industry have therefore set

their strategy for coping

with unprecedented competi-

tion from other financial ser-

vices companies, but this

Traditional "protection"

life insurance, with premi-

ums offering financial pro-

tection against dving too

soon, is growing sluggishly.

Consumers seem more inter-

ested in pensions and

mutual funds - wealth accu-

mulation products which

guard against living too

The biggest life insurers

could require them

change their products.

decided to stay mutual.

share," Mr Zobel said. This amounts to a total

price of about DKr10hn for Tryg, or almost 14 per cent more than Unidanmark's bid of about DKr180 a share.

Mr Zobel's invitation, made through an open letter to the stock exchange and the media, also said the proposal had the backing of Royal & Sun Alliance, the UK insurer that is Codan's majority shareholder with a 70 per cent stake.

Tryg and Unidanmark shareholders are scheduled to vote on the merger at

extraordinary meetings on April 13.

Scandinavia's largest nonlife insurer, known provisionally as Newco and to be formed by the merger of Skandia of Sweden's non-life operations and those of Norway's Storebrand, emphasised again yesterday its interest in expanding its operations in Denmark. did not necessarily mean However, it said it was not that Pohjola's non-life in talks with either Tryg or

"We have the ambition for

Weighing up the benefits of mutual protection

truly Nordic company and at present we are insufficiently represented in Denmark and have no presence in Finchief executive-designate of

the new company. He said the hitch in the planned merger of Finnish insurers Pohjola and Suomi new company. Pohjola had said it wanted to sort out its rebrand non-life grouping.

companies, he says, and "far

lower than is necessary to

enable them to defend their

autonomy from hostile take-

hostile takeover attempt on

a mutual company this year.

Carrying out the demutu-

alisation in itself is also

time-consuming and expensive. MetLife still hopes to

arrange its IPO within a

year of announcing its inten-

tion to move. The Pru does

not expect to come to the

market before late next year,

though it has already changed its reporting and

accounting policies in prepa-

ration. It has also embarked

on assessing how pay-outs

This is a massive task,

which may explain why New

York Life and Northwestern

Mutual have decided to

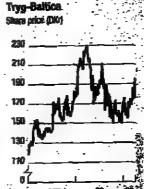
remain mutual and empha-

sise the benefits of mutual

status to potential custom-

should be distributed.

He predicts at least one



merger with Suomi before operations could not join the studying the opportunities created by the Skandia-Sto-

> gin business than the other large mutuals can count on.

Life's chief executive, ques-

tions the need for extra capi-

tal, pointing to the growth

the company has already

been able to fund. It has ear-

marked \$1bn for its interna-

tional expansion, which aiready includes businesses

in Argentina, Hong Kong.

has plans to sell in China,

territory so far trod only by

AIG and Aetna among Amer-

Mr Sternberg says staying

mufual was a "very clear

decision". New York Life did

not need the capital, while

attempting an IPO would

involve a huge change in

culture, weaken its core

products and bring the risk

He questions the logic that

there is no money to be

made in traditional life

insurance. "It's a very large

market, despite relatively

flat growth. It's \$11bn in new

premiums each year, and it's very fragmented. My reading

is that when you have a very

large fragmented market

you have opportunities, par-

ticularly when your competi-

tors are taking life insurance

off the boil and looking at

ican insurers.

of a predator.

Sy Sternberg, New York

ket expects from quoted life a stronger flow of high-mar-

TD may offer part of global brokerage

Toronto-Dominion Bank announced yesterday it would make a limited initial public offering of its rapidly growing global discount brokerage business.

The share offering, to be made to retail and institutional investors in Canada and the US, and possibly outside North America, will comprise 10 per cent of the Canadian bank's global discount business. Analysts have estimated the market value of that business at more than C\$7bn (US\$4.6bn), which would price the IPO at just over C\$700m.

TD said it expected to file a registration statement and preliminary prospectus later this month

Charles Baillie, chairman and chief executive, said the additional funds would increase TD's flexibility to pursue acquisitions in the discount brokerage business, which has been the main focus of the bank's growth strategy for the past two years.

Taiwan and Mexico. It also TD is the world's second largest discount broker after Charles Schwab. Its network includes Waterhouse Securities of the US and Green Line Investor Services in Canada, the UK, Hong Kong and Australia.

The new global discount brokerage will be known as TD Waterhouse Securities. TD shares dropped C\$1.50 to C\$68.50 in midday trading vesterday following the

The bank revealed earlier this year it was considering spinning off as much as 20 per cent of its discount arm to take advantage of the rising stock market valuations for discount brokers.

Charles Schwab, instance, trades at more than 70 times trailing earnings, while TD shares trade at just 15 times trailing

Blackstone set to triple Europe fund investments

By William Lends in How York

Blackstone Group, one of the world's largest investors in hedge funds, is set to announce a three-fold. increase in the number of European-based hedge funds it invests in.

Blackstone's alternative asset management division runs eight so-called "fund of funds", and is one of the most powerful groups in the US hedge fund industry.

It has traditionally chosen to put almost all of its \$1.4bn of client and Blackstone money in US-based hedge

The move underlines the recent boom in Europe's hedge fund industry. Carrie McCabe, president

and chief executive of Blackstone Alternative Asset Management, said there were now more than 100 hedge funds based in Europe, up from a "handful of top quality ones" three

"We are very bullish on Europe and the opportunity it offers," she said.

"The companies over there have much lower price earnings multiples then in the US, and the family

DAIMLERCHRYSLER

the 1st Annual General Meeting on Tuesday,

May 18, 1999 at 10:00 a.m. in the Hanns-

Martin-Schleyer-Halle, Mercedesstrasse 69,

Annual General Meeting 1999

We hereby invite our shareholders to

D-70372 Stuttgart (Bad Cannstatt).

1. Presentation of the financial statemen

the group for the 1998 financial year.

the comorkighed financial materments and the

2. Adoption of a resolution concerning the distribution

It is proposed that a dividend of DM 4.60 (converted:

€ 2.35) from the unappropriated profit for the 1998

of the actions of the Board of Management for the

3. Adoption of a resolution concerning ratification

4. Adoption of a resolution concurning ratification

of the actions of the Supervisory Board for the

5. Appointment of the auditor to carry out the audit

conclusion of an enterprise agreement betwe

Micro Compact Car amert GmbH, Renningen.

conclusion of an enterprise agreement between

Daimler-Benz (DaimlerChrysler) Potsdamer Pietz

Daimler-Benz (DaimlerChrysler) AG and

8. Adoption of a resolution on the consent to

Daimler-Bass (DeimlerChrysler) AG and

9. Adoption of a resolution on the consent to

Daimler-Benz (DaimlerChrysler) AG and

conclusion of an enterprise agreement between

Daimler-Benz (DaimlerCtuysler) Mobilien GmbH,

The invitation and the complete agenda were published

our company by no later than Friday May 14, 1999 shall be entitled to attend the Annual General Meeting. The voting

right may be exercised by an authorized representative

The company shall forward the Agenda of the Annual

General Meeting on May 18, 1999 and the short report on the 1998 financial year as well as the documents regarding.

registration respectively powers of attorney for voting to

those shareholders named in the company's share register.

in Issue 63 of the Federal Gazette of April 1, 1999. Those shareholders who have registered themselves at

Mobilien GmbH, Berlin.

or by a shareholders' association,

Stuttgart-Möhringen, April 1, 1999

DaimierChrysler AG

The Board of Management

of the financial statements for the 1999 financial year.

financial year of DM 8,090 million will be paid on each

business review for DaimterChrysler AG and

Agenda (short version)

of uneppropriated profit,

individual share certificate.

1996 financial year.

1998 financial year.

6. Election of the Supervisory Board. 7. Adoption of a resolution on the consent to

dynasties are under ressure. That means it is a great time to be investing in Europe in the hedge fund

declining While specifically name the European bedge fund managers she has selected, Ms McCabe said the "brightest" European hedge funds included Olympus, managed by Tjia Ton Fie; Bayard, run by Jeremy Rolands and Chris Bouckley; and Millennium, managed by Michael Huttman. All the

funds are based in Europe. Olympus and Bayard specialise in investing both long and short of European equities, while Millennium has more of a macro focus and invests in and outside of

The appointments are effective as from today and follow several months of examination by Blackstone. Blackstone forecasts that one of the most important

areas for hedge funds will be in merger and acquisition arbitrage, through which investors seek to make profits by predicting takeovers, their financial terms and the likelihood of announced deals falling apart.

Traditional insurers are preparing strategies to take on unprecedented competition, says John Authers "he fature of the US life

begun to take shape		do Melifermi Memorina		
over recent months. Pruden- tial Insurance of America	Rayle .	- Group	Status	Amets (Skrij)
and Metropolitan Life, the two largest life insurers by	1	Production of Asserter	Maked	205.2
assets, have decided to aban-	2 .	Metropolitar Life	Markey	183.2
don mutual status and seek	3	Augus/Transsmerica	Public	98.7
initial public offerings. Bos-	4	. TIAA Group	Public	93.8
ton-based John Hancock	5	Hartford Phonoisi	i i i i i i i i i i i i i i i i i i i	93.4
Mutual is also pursuing a	6	How York Life	Public	84.5
demutualisation.	7.	AMERICA US REMINES	Public	77.1
Meanwhile, New York Life	8 -	Equitable	- Public	75.9
and Northwestern Mutual	9 - ; "	Cigna	. Multipl	74.2
Life - their two biggest	10	Northwestern Muluul	· Public	71.1

vices brands in the US. despite the mis-selling scapdals some of them have endured in recent years. This should give them a

chance to expand into more

The Pru and MetLife want to use the capital they gain from floating to become universal financial services companies, possibly including banks. They also want to expand internationally, and the Pru has already signalled its intent by opening life companies in Argentina and Poland. As quoted companies, they will have a share price to use as an are among the strongest and acquisition currency.

Robert Benmosche.

MetLife chief executive who announced the decision to float last year, says mutual status has become "obsolete", because less than half of the group's customers had a stake in the company.

But the mutuals will have to endure pain before they can join the ranks of public companies. In the mutual world, companies do not focus on returns on equity. quoted companies' performance. Thomas Upton, analyst at Standard & Poor's, points out most companies that have demutualised are generating returns to equity of 6-8 per cent. This is

ers. There is no risk of hostile takeovers, aithough they must live with the accusation that their structure is an anachronism. However, both companies have an upmarket clientele. a well-trained agency sales force, and a concentration in traditional protection insur-

Elektrim chief on sure ground with a foot in both camps

Igriculture 11.8

Hotors 10.6

American Barbara Lundberg is appeasing both investors and Polish regulators, write Christopher Bobinski and Stefan Wagstyl

executive of Elektrim, Poland's biggest industrial businesswoman with little such a diverse company.

Ms Lundberg, who has worked in Poland as a fund manager since 1990, was hired after foreign-led shareholders forced the resignadispute over the late disclosure of market-sensitive information:

However, in the last week. Ms Lundberg, aged 46, showed she had got off to a fiving start. First, she signed one of the biggest acquisitions by an east European company - the \$325m purchase of Bresnan Telecommunications Poland, a USowned telecommunications and cable television busi-

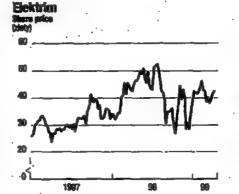
Next, she won a bidding race when she agreed to pay \$88m for a 20 per cent stake in the state-owned Patnow-Adamow-Konin power plant,

hen Barbara Lund- the same day she announced berg was appointed she was in negotiations to last month as chief buy Poland Telecom Operators (PTO), which owns fixed-line telecom licences in group, analysts wondered provinces covering 20 per how guickly an American cent of Poland's population. Ms Lundberg says she

telecommunications business into the second largest in Poland after TP SA, the state-controlled operator. She intends to turn an existing partnership with Deuttion of her predecessor in a sche Telekom into a comprehensive joint venture. Ms Lundberg says she also

intends to expand the group's power interests, while rationalising other parts of her empire. "Elektrim needs focus," she said. as she disposed of 80 noncore subsidiaries this week. The aim is "to create a flagship Polish company in both telecommunications and energy and power".

Ms Lundberg's rapid start motors, agricultural equipis helping to rebuild com- ment and construction. pany morale following a shareholders' revolt last Telekom and US-owned year supported by by Merrill Lynch, the US investment lished Era GSM, the bigger bank. It led to the departure of Poland's two mobile one of Poland's biggest. On of Andrzei Skowronski, the phone commanies, and devel-



former chief executive. Mr Skowronski trans- coms. formed Elektrim from a state fell foul of shareholders by trading company into an

industrial conglomerate. with sales last year of about 3.8bn zloty (\$828m). Elektrim acquired more than 100 subsidiaries in Era stake to Kulczyk Holdings, a minor partner in Era. cables, power engineering, After his departure in December, Elektrim was hit Together with Deutsche

by a second disclosure dispute. This involved a secret agreement made in October MediaOne. Elektrim estabwith Deutsche Telekom. As a former fund manager, Ms Lundberg knows that

oped plans for fixed-line tels-

Elektrim - which may need \$1bn in new loans and capi-However, Mr Skowronski tal - cannot tap international markets without a failing to disclose a 1996 deal more coherent shape. The in which Blektrim pledged to largest planned investments over the next two years are sell for a low price a 6.5 per cent chunk of its 34 per cent in telecoms. Rickfrim plans to him out

its wireless operations folmonth by Comcest of the In fixed-line telecoms, the

ment confirmation of the during the disclosure row,

Power engineering 25.7

Warsaw licence awarded to El-Net in December, despite challenges from rival companies. However, Elek-trim already has eight other regional licences and has bought two more with the Bresnan acquisition. It could cable television network for telephony.

Once Elektrim acquires Poland Telecom Operators, owned by Retei, an Israeli consortium and Pilicka Tele fonia the company would control fixed-line licences with access to 48 per cent of

ll this requires money and guile. To potential investors, Ms Lundberg must play the hard-posed American financial expert bringing "focus" to Elektrim. But in Poland, she wants to present Elektrim as partners in Era. including a national champion, worthy MediaOne, which is selling of favours when competing with foreign groups for telelowing its takeover this coms licences and the like.

So far, investors have doubt. Elektrim shares have key lies in securing govern- recovered the ground lost

FIDELITY FUNDS neiété d'Investiment en A Capital Variabl Kantallis House - Place de l'Etoile

B.P. 2174, L. 1021 Luxen

NOTICE TO SHAREHOLDERS OF FIDELITY FUNDS

- EURO STORX SE^M FUND (090) EUROPEAN CHOWTH FUND (DM) - European Smaller Companies Fired (1940) - FRANCE FUND (FF)

- GERMANY FUND (DSC - INERIA FUND GETAL - DEALY FUND (Line) PREVATILATION + FUND (1980)

FIDELITY GESTION CONAMDOUS OWN FIDELITY GREETON EQUILIBRIE (PP) ELIRO SALAWCED YUND (DM);

FEDELITY POSTFOLIO SELECTOR GROWTH FUND (DM)

FEDELITY PORTFOLIO SELECTOR MODERATE CROWTE FURD (DM)

- EURO SONO FUND (DCU)

- ISSED CASH FUND (DAD

- WOOLD FEED AND

By Order of the Board of Disputers.

ELEO STOCK 50 is a muck of STOCK (LINGTER) and has been formed for certain prepares by Felchy Funds.

C.A. La Electricidad de Caracha, SAICA-SACA, U.S. 5209,654,000 Planting Time Brade des 200 Berley A-1 in accordance with the provisions of the Strain, reflere is hereby given tred for the informat Proced from March 31, 1989, to Aure 30, 1989, the Bords will carry an interest Page of 5.8077%. the Bestide will carry on Internal Pales of 3.007(%), or a distinct. Interest catabolist on such U.S. 31,000 houseast around to U.S. 510,000 houseast around to U.S. 510,000 houseast around at property of the purpose of the purpose

BANQUE NATIONALE DE PARIS USD SEE, DEE, DUE berdinated Flowling Rate Wetch

Selection State Selection (State State)

Region is healthy given that the rate of inference for this period index Match 30th, 1989 to September 30th, 1989 has been liked at 5.35 per cent. per servine. The colopon amount data for rate period to USD 282-46 per USD 10,000 demonstration and USD 2,004-36 per USD 10,000 demonstration and us payable on the interest togenant data September 30th, 1992.

BNP Storpe (Estimate de Perts. (Lazandose) S.A.

USD 200,000,000 For the Interest period 1" April, 1989 to 4" May 1999, the Notes will carry & Rese of Interest of 5.23875% per grown, The coupon Amount per USD 773,823.86. iota wili be USD 3,716.53.- payable on 4" May, 1969. The Principal Repayment Amount per original USD 1,000,000 Note is USD 18,839.67 on 1" April 1999.

INDOCAM HIMALAYAN FUND NV NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Indocum Himalayan Fund NV will be held at 11.00 a.m. on Priday 23rd April 1999 at the registered office of the Company, Herengracht 320. Amsterdam for the following purposes:

 To approve the Report of the Directors and the financial statements for the year ended 31st December 1998. 2. To authorise the Directors to use the English language in the annual report and financial stateme

3. To re-appoint KPMG Accomments NV as auditors of the Company.

4. To re-appoint Mr McEvast as a Director of the Company.

5. To authorise the Directors to fix the remuneration of the an

Copies of the annual report may be obtained from the Administrator whose address appears below, SNS bank Nederland NV. Nieuwezijds Voorburgwal 162, 1012 SJ Amsterdam and Crédit Agricole Indosuez, 122 Leadenhall Street, London EC3V 4QR. The ordinary shares are

Meeting whether in person or by proxy if such member has deposited documensary proof of his shareholding at the offices of SNS bank Nederland NV. Nieuwezijds Voorburgusd 162, 1012 SJ Annstandum nor less them 48 hours before the time appointed for the Annual General Meeting in respect of which the member shall be issued a receipt. This receipt must be presented to pain cutry to the meeting save that such requires gain entry to the meeting save that such refluences will be compensed with on the presentation of a certificate issued by Enroclear or CEDEL SA, confirming that the beautr holds and shall continue to bold the number of shares specified therein up to the end of the Annual General Meeting.

(ii) Any member shall be continued to attend and vote in pursue or by prany at the nac to bold the number of

anove message any appoint one or more proxics to attend and, on a poll, was instead of him. A proxy need not be a member of the company.

[17] All instruments of proxy must be deposited at the offices of SNS back. Nederland NV. Nicerweshight Voorbergual 162, 1012 SI Amsterdam not less than 48 busis before the time appointed for the Anneal General Meeting. The Jodging of a form of proxy does not prevent a member from attending and waters if the widne.

Netherlands Manager Herengracht 320 ness Company BV

Ist April 1999

FINANCIAL TIMES THURSDAY APRIL 1/FRIDAY APRIL 2 1999

offer part of global brokerag

We think harder,

1 camps
The composition of the contract of the

We believe that flexibility, not a rigid formula, is the way to meet the diverse demands of our client base. We value as our most important asset our global network of 14,000 staff and their 14,000 individual, innovative ways of thinking. We add to that the ability to bring those ideas together – to focus them and leverage the power of the global franchise for our clients. It's a combination which enables us to act faster and achieve more. So we not only break the mould – we often break the records too.



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ITALY CEO ADDRESSES ANALYSTS AFTER GROUP SELLS TELECOM ITALIA STAKE PRIOR TO RAISING HOSTILE BID

Olivetti speaks of 'error' over share sale

Olivetti yesterday attempted to mount a damage limitation exercise after surprising the markets on Tuesday by disclosing it had sold 24.4m Telecom Italia shares the previous day - just before one of Olivetti's advisers, the blunder was seen as an raising the value of its hose conceded it had been "an own goal by Olivetti. tile bid for the privatised Roberto Colaniano, Oli-

Telecom Italia share sale. Milan investment bank and been made "in good faith". unforgivable error" not to lier about the sale.

man, were summoned by disclosed the transaction on Consob, the stock market Monday, the same day as it €11.50 a share offer. Mr Colaninno, addressing Although Mr Colaninno analysts at Mediobanca, the claimed the mistake had

Franco Bernabe, Telecom have informed Consob ear- Italia's chief executive, accused Olivetti of being Under Italian stock market unable to draw up credible

Antonio Tesone, the chair- rules. Olivetti should have industrial plans and "depressing the quotation of firmed it would adopt a neu- of raiders" their prey by throwing mil- tral stance at the meeting. regulator, to explain the launched its sweetened lions of shares on the The Treasury still holds a 3.4 market"

> an advertising campaign in tional investors. Italian newspapers to persuade Telecom Italia's share- stance came under fire from holders to vote in favour of his industrial strategy and defences against Olivetti at the company's shareholder meeting on April 10.

The government conper cent stake but is consid-Mr Bernabe also launched ering selling it to institu-

> The government's neutral one of its coalition partners. Nerio Nesi, the economic spokesman of its hard-line Communist allies, said the government had done

Olivetti is also understood to be coming under increasing pressure from Consob to publish its bid prospectus before the Telecom Italia shareholders' meeting, to enable shareholders to be fully informed.

Olivetti's delay in publishing a prospectus has cast

Price-watching shareholders may hold the casting vote

The fate of Europe's biggest corporate takeover will be decided at a series of crucial meetings next month, says Vincent Boland

a phony war, is starting to get serious ahead of crucial shareholder meetings next month that will decide the fate of Europe's biggest corporate takeover.

As both sides traded insults yesterday after Olivetti's surprise sale of 24.4m shares in its quarry, shareholders in Telecom Italia the 40 per cent stake, which were facing a dilemma over how to vote at the meetings. (US\$24.6bn). called to approve the company's defensive and industrial plans outlined by Franco

Bernabe, chief executive. Between meetings with US Bernabe appeared confident of getting enough investor support to win approval for standing 40 per cent of Telecom Italia Mobile, buy back

By Gordon Cramb in Amsterdam

Acquisitions in insurance

financial group, to achieve

21 per cent growth in annual

(€2.67bn, \$2.67bn) amid what

Godfried van der Lugt, chair-

man, yesterday called "the

most turbulent year in its

ING set aside Fl 2bn for

where global economic

upheavals pushed divisional

operating earnings down 87

portfolio, which in 1997 had

profile was too high - we

it." said Mr van der Lugt.

those that formed Barings,

the UK merchant bank res-

per cent to Fl 1.77bn.

net profits to Fl 5.88bn until 2001.

The securities trading just ended.

must be honest in admitting to more normal levels.

Acquisitions

lift ING profit

enabled ING, the Dutch But ING Barings would not

loan losses in banking, at the annual meeting in

he takeover battle up to 10 per cent of Telecom get the measures approved. voting rights. Second, about versal favour from Telecom agement arms to support between Olivetti and Italia's shares, and convert Telecom Italia, for long non-voting savings shares to voting common stock.

Investor reaction was "very positive", he said. But he admitted his original plan to acquire the rest of TIM using Telecom Italia shares had "perplexed" the market. Mr Bernabe bowed to shareholder pressure last weekend and agreed to pay cash for Mr Bernabe 'got a very good response will cost 622.9bn in Italy and a fairly favourable

Mr Bernabe "got a very good response in Italy and a fairly favourable response generally from international investors" to the revised shareholders yesterday, Mr defence strategy, a Londonbased institutional shareholder said yesterday. But he and other investors privately said there was no guarantee that the company

all but ended. "The first

results can already be felt, in

a positive sense." he said.

reach the group's 12 per cent

target for return on equity

On the outlook for the

group as a whole, he said

sconomic conditions

remained uncertain, and

that an earnings forecast

would, at the earliest, come

May. Mr van der Lugt said

financial markets had per-

formed not unfavourably in

added to provisions last year

30 per cent of Telecom Italia's shares must vote in favour of the measures. Shareholders meet next week to vote on the buyback

valid, shareholders owning international institutions, many of which also own Telecom Italia savings shares or shares in TIM. International institutions are believed to own 54 per cent and conversion proposals, of Telecom Italia's savings

and later in April on the shares. Several investors

response from international investors'

closely say that in theory the target should be achievable but there are several complicating factors.

First, some 34 per cent of Telecom Italia is owned by Italia. domestic retail investors would get enough support to who rarely exercise their for TIM has not drawn uni-

FINANCIAL SERVICES INSURANCE PERFORMANCE NOT MATCHED IN BANKING, SECURITIES

buyout of TIM. Those watch- said yesterday that as few as ing the takeover battle a third of these shareholders might support Telecom Italia, although Olivetti's controversial sale of 24.4m shares appeared to lead to more support for Telecom

Mr Bernabe's cash offer

In order for the votes to be 36 per cent is owned by Italia shareholders. Some said it was a "poison pill", despite the value-enhancing addition of extra leverage to Telecom Italia.

Third, the Italian government, Telecom Italia's single biggest shareholder, has said it will not exercise its voting rights in respect of its 3.4 per cent stake. The government, looking to sell the stake, has repeatedly insisted it wanted to remain neutral, but its move "is not supportive of Mr Bernabe", one shareholder said.

That leaves Italy's domestic institutional, staff and core shareholders as Mr Bernabe's key targets in wooing for support for his measures. They own the rest of the company, and the Italian banks in the core shareholding group are understood to have told their asset man- mance-oriented investors."

Telecom Italia. However, a key factor in deciding which way institutional shareholders will vote will be their perception of what might happen to Tele-

com Italia's share price if Olivetti's bid were thwarted. The share price dipped sharply after Olivetti said it had sold 24.4m shares late on Monday, and there was also speculation that the stake could have been sold to allies of the bidder. Olivetti's revised offer,

which it says is "definitive", values each Telecom Italia voting share at €11.50, in a combination of cash, equity and bonds. Telecom Italia shares closed yesterday at €9.84. "It's the only offer on the table," one fund manager said. "That is an important consideration for perfor-

probe Yukos

Watchdog to

Russia's Federal Securities Commission, the stock market watchdog, yesterday launched a full-scale investigation into allegations that Yukos, the glant oil group, had violated minority shareholder rights.

The dispute is seen as a critical test of Russia's corporate governance regime, which has been sullied by a string of investor scandals. Dmitry Vasilyev, head of

the securities commission,

said he had launched his investigation after receiving complaints from minority shareholders in Yukos and three of its daughter companies, Samaraneftegaz, Yuganskneftegaz, and Tomskneft. "We will investigate all the facts of the case and if necessary take measures not to allow violations of

shareholder rights," he said. Outside investors have protested that a series of planned rights issues by the three daughter companies minority shareholders' inter- gal.

By Samer Iskander in Paris

ests and transfer most of the group's value to obscure, off-

"We are concerned that to these offshore companies may be irretrievably lost from Yukos and the production subsidiaries," said Daiwa, the Japanese bank, which owns 14 per cent of Yukos' equity.

Yukos, which claims its restructuring plans are perfectly legal, said it would fully co-operate with the securities commission's investigation. The company argues that its recapitalisation plan is designed to simplify its complicated ownership structure.

Mr Vasilyev said he was shareholders had adopted such a "passive position" and he urged all disgruntled shareholders in Russia to defend their interests in the courts. Nevertheless, Mr Vasilyev said the commission would take action to block the rights issues if would massively dilute they were proven to be ille**NEWS DIGEST**

GERMANY

Preussag restructuring brings strong rise in sales

Shares in Preussag, the German tourism and industrial group, rose by 5 per cent yesterday after the company. announced strong first-quarter sales and predicted anexcellent result for the whole year. Preussag said sales in the first three months of its 1998-99 business year, which will end in September, had risen to DM7.4bn (€3.78bn, \$4,07bn) from DM4.9bn. The Hanover-based group cautioned that the figures were not directly comparable because it had restructured its business interests so radically in the past year. But analysts said Preussag had earned the admiration of investors for its bold change of direction from heavy industry to leisure and travel services. Preussag's shares have strongly outperformed the German stock market in the past six months, almost doubling in that time to £497 at yesterday's close of trading in Frankfurt. Tony Barber, Frankfurt

media

Mediaset sees earnings leap

Mediaset, the commercial television group controlled by Silvio Berlusconi, the former Italian prime minister, yes day reported a 19 per cent increase in 1998 consolidated net profits to L551bn (€284m, \$306.2m) on an 8.8 per cent rise in net revenues to L 3,653.6bn. The media company, which recently forged a European television partnership with Germany's Kirch group, said the first quarter of this year was encouraging with a 10 per cent rise in advertising revenues. Paul Betts, Milan

INSURANCE

Winterthur lifts market share

Winterthur, Switzerland's biggest insurance company, Increased its market share from 21 per cent to 24.8 per cent in its first full year after its acquisition by Credit Sulsse, Switzerland's second biggest bank. The insurer, which had already reported a 31 per cent rise in operating profits, said the increased market share reflected the benefit of the access to Credit Suisse's customer base and its distribution channels. Credit Suisse referred over SFr1.5bn (\$1bn) of individual life premiums to Winterthur and the latter's sales force generated almost 10 per cent of Credit Suisse's new mortgages. One of Winterthur's top priorities in 1999 will be to find a partner to help it exploit Germany, its second biggest market, following Commerzbank's deci-sion to link up with Generali, an Italian Insurer. William

FRANCE

Frère takes stake in Bouygues

Bouygues, the French construction and communications group, yesterday disclosed that Baron Albert Frère, the Belgian financier, had taken a 1.1 per cent stake in the company. Martin Bouygues, chairman, said he had learnt of Mr Frère's entry into the group's capital "by rumour" on Monday evening. The Frère camp had no comment on the situation. But the disclosure sparked interest because it came just a week after the news that Bernard Amault, the LVMH chairman, had taken a 4 per cent stake in Bouygues. That announcement initially appeared to represent a new escalation of the battle between Mr Amault and Francois Pinault, whose family holding company, Artémis, is a leading shareholder of Bouygues.

Mr Pinault emerged two weeks ago as a white knight for Gucci, the Italian fashion house, in which Mr Amault had accumulated a large minority stake. The LVMH chairman responded by making a full bid for Gucci. But Mr Amault's several weeks" and had "nothing to do with the battle for Gucci". Mr Pinault moved to centre-stage at Bouygues last year when he bought a 12.6 per cent stake from Vincent Bolloré, another French businessman, to become its biggest shareholder. He subsequently concluded a three-year pact with Martin and Olivier Bouyques. Bouyques shares vesterday climbed 1.9 per cent to close at €257. Yesterday's developments came after the construction group reported a 29.8 per cent decline from FFr755m (€115m, \$123.8m) to FFr530m in net attributable annual profit.

ESSELTE ANNUAL GENERAL MEETING

to be enabled to participate in the Annual General Meeting shareholders must be recorded in the hare repear transcriptors reused by Vardepapperscriptates VPC AB (Swedish Seconder, Register centers as at 9th April 1999, Shareholders whose dates are registered in the name of a trust fearatiment of a bank or a private broker must in due time procure through their bank or hopker that here where on the ward date are temperatury registered such VPC in they own matter.

A the Argust General Meeting the following mason will be addressed:

licen 8; Dividends and Record Date us that the shareholders shall receive for each share a divisional of

The floard of Directors proposes that the statementary strait recorns for clear state a orwatch of a SSEA as well as one share in the German company Meto Holding Gushlel under caser-sists in a Aktiongs-edischaft ("Meto"). Meto is the holding company of the Meto Group within the Esselie Group. The Board of Directors further proposes that the General Meeting shall delegate to the Board to exceed the distribution of Meto as per a moord when not later than 10th June, 1999. As record date for the right to the cash dividend the Board has proposed 26th April, 1999. With the record date VPC anticipates distributing the dividend to Board has proposed 26th April, 1999. With the item 14 Amendment of § 2 of the Articles of Association The Board of Directors proposes that the objects of the Company should be list the sale of Niches & Bambridge and the proposed distribution of Mess.

Jam 15: Appendings of § 6 of the Articles of Associ The Board of Disectors proposes that a new paragraph is added to 5 to in the Astroles of Association granting the right to owners of A-shares to convert these to B-shares and that the first paragraph is

hem. He Amendment of 19, 12, 13, 14 of the Articles of Ass The proposal of the Board of Directors is caused by amendments of the Swedish Comp Proposals for decisions under items 10 -L3 and 15

Discour, of the Board Seven directors with no deputy disterior, Re-election of Kart Jofe, Jan Kvarnstrata Bjorn Larsson and Swen Obtson and new election of Frate Frahlich, Arne Karlason and Bean E. Stem. Directors Gees SEK 90,000 to be distributed by the Board between those directors elected by

Stockbalm March 1999 BOARD OF DIRECTORS



the first quarter that has honest in edmitting it

the 1999 sum should return Fl 282m to its Fl 4.56bn operating result from insurance. The ING chief said the bringing in new premiums who this year authorised a group remained on the lookreshaping of investment out for a multi-billion dollar mium income at FI 45.06bn banking units including acquisition in US life insurwas ahead by 42.5 per cent.

ance. About a third of the Amid consolidation in international financial serpurchase price could be funded in cash, although Own-account trading has more could come from a hadid not exclude an even- F12.30.

Equitable of lows, taken had become too small to a loss of Fl 228m. "Our risk as exceptionally high, saying over in 1997, contributed compete. That could involve worth Fl 7.32bn. Total pre- sixth among European finan-

He described the amount sale of portfolio holdings. tual full merger if ING felt it either a group from elsewhere in Europe or from the US. ING is still ranked about cial institutions, based on market capitalisation. ING shareholders are to

receive a total dividend of vices, Mr van der Lugt said Fl 2.75 per share, up from

Merger failure cause disputed

Aegon, the Dutch insurance group, and AOT, a leading market-maker in Amsterdam stocks, yesterday disputed the reasons for a last-minute collapse in AOT's planned merger with Bank Labouchere, an investment bank

The deal was aborted on Tuesday night after Sasker de Boer, AOT chairman, said he did not want to serve for tor of the combined entity. According to Jos Streppel. Aegon's director of group finance. Mr de Boer left for reasons of his own. Without him to rally his traders, however, the operation would have been vulnerable

to mass defections by valuable senior staff. But Mr de Boer, pointing out that he had the support ranking immediately behind of his own board, said he had become concerned about an operational structure of which details had only and derivatives business. recently become clear.

Aegon had intended to hold an initial stake of some makes the bulk of its money 57 per cent in Bank AOT from equity and options Labouchere. It planned to trading and market-making. reduce that holding later, as part of a move to focus on stocks including Aegon itself life assurance and pensions. and ABN Amro, which had Mr Streppel said it would prepared the aborted pronow retain full control of Labouchere at least for the rest of this year.

and foreign operations in Chris Bierman, Labouch- Labouchere.

By Gordon Creenb in Amsterdam ere chairman, described Mr de Boer's decision as surprising and disappointing. He said there had been no clash of culture between the two sides, nor had other problems been encountered. "I can say with certainty that no skeleton bas emerged from the closet," he added.

> "But banking is people. It is important that a merger has the right management." He said the question of a replacement AOT candidate to serve on the board had not arisen. Mr de Boer was to have been deputy to Mr. Bierman in a three-man executive including Wim terms of its existing offers, Brouwer, another director from the Labouchere side. The takeover of Labouch

ere by the smaller AOT would have created the biggest independent investment bank in the Dutch market, the country's large commercial banking groups in its share of Amsterdam equities

AOT, where 1998 net profits rose 69 per cent to Fl 79m, It is a specialist jobber in The deal was described

originally as a response to Labouchere has assets of the emergence of a single F1 9.42bn (€4.27bn, \$4.60bn) European securities market, making it important that the Geneva, London, Luxem- trading expertise of AOT be bourg and New York. Net combined with the distribuprofits rose 88 per cent last tion capacity offered by the wealthy client base of

The takeover battle between France's three largest listed banks entered a new phase yesterday, with the official launch of hostile bids by Banque Nationale de Paris for its rivals Société Génér-

ale and Paribas. For the first time since the twin takeover bids were announced last month, yesterday's publication of BNP's detailed offers allows the targets to counter-attack. It also opens the door to a potential white knight bidder for Soc-Gen or Paribas.

Under French regulations. it was illegal for any of the protagonists to change the

or for any other institution to approach them, until BNP's offers had cleared all regulatory hurdles. The three offers - BNP's

BNP bid for rivals is official

unsolicited bids for SocGen and Paribas, and SocGen's agreed bid for Paribas - will run in parallel for an estimated 35 business days. However, in a rare move highlighting the complexity of the situation, the Conseil des Marchés Financiers, the financial markets regulator. has warned that the 35-day deadline usually applied to such offers "might have to

Until now, SocGen and Paribas defences against BNP were limited to presentations and advertising.

London FC2P 2JP

sides vaunted the merits of their respective proposals in their warnings that BNP's full-page advertisements in move was risky. "The uncer-French newspapers. BNP tainty remains, with Paribas took three pages in the daily and SocGen shareholders Le Monde yesterday, at an not knowing the composition estimated cost of FFr400,000- or value of the company in FFr500.000 (£61.000-76.000. \$66,000-82,000) a page.

Earlier this week SocGen and Paribas ran adverts across two pages on several consecutive days. BNP has also launched an extensive radio campaign.

action in a Paris appeals court, challenging the CMF's

In the past week, both Daniel Bouton, head of Soc-Gen, this week repeated which they will be investors if they tender their shares

into BNP's offer," they said. The boards of SocGen and Paribas are to meet next In the days following BNP's announcement last month. Last week, SocGen and both boards rejected the hos-Paribas also took legal tile approaches almost unanimously. Only representatives of Axa, the insurance decision to allow BNP's offer company that is Paribas' to proceed. André Lévy- largest shareholder, sup-Lang. Paribas chairman, and ported BNP's move.

LEGAL MOTICES

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The India I.T. Fund Ltd.

The Board of Directors of The India I.T. Fund Ltd. is very pleased to announce that the Fund has been ranked Number One among Indian equity funds for the year ended on 31st December 1998 in the Lipper International Closed-End Fund Service. The Fund invests predominantly in the equity of Indian Information Technology companies.

The Board wishes to thank all the shareholders, market makers and various service providers for their support.

hivestment Manager

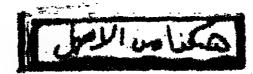


Unit Trust of indis

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All these securities have been sold. This announcement appears as a matter of record only.

March 1999

U.S. \$8,000,000,000



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U.S. \$2,000,000,000 5.625% Notes due 2004

Price 99.532% per Note

U.S. \$3,000,000,000 6.000% Notes due 2009

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Lehman Brothers

J.P. Morgan & Co.

NationsBanc Montgomery Securities LLC

structuring

Notice is hereby given that the Annual General Meeting of Akticholaget SKF will be held at SKF Kristhredal, Byfogdegatan 4. Steborg, Sweden, at 3.30 p.m. on Thursday April 22, 1999.

Annual General Meeting

For the right to participate at the meeting, shareholders must be recorded in the shareholders' register kept by the Securities Register Centre (VPC AB) by Monday April 12, 1999 and must notify the company before 12 noon on Monday April 19, 1999, preferably in writing, otherwise by telephone (AB SKF, Group Legal, SE-415 50 Göteborg, Sweden, tel. +46 31 337 24 36, fax +46 31 337 16 91) of their intention to attend, giving details of name, address, telephone number and registered shareholding. Where representation is being made by proxy, the original of the proxy form shall be sent to the company before the date of the meeting. Shareholders whose shares

are registered in the name of a trustee through the trustee department of a bank must have the shares registered temporarily in their own name in order to take part in the meeting. Any such retration for the purpose of establishing voting rights shall take place by Monday April 12, 1999. This means that the sharehold should give notice of his/her wish to be included in

the shareholders' register to the trustee in plenty of time before that date. A re-registration fee will normally be payable to the trustee.

Opening of the Annual General Meeting.

- 2. Election of a chairman for the It is proposed that Anders Scharp be
- elected chairman for the meeting. Drawing up and approval of the
- 4. Approval of agenda.

been duly convened.

- 5. Election of persons to verify the n 6. Consideration of whether the meeting has
- 7. Presentation of annual report and audit report as well as consolidated accounts and audit report for the Group.
- 9. The matter of adoption of the income statement and balan ed income statement and consolidated
- 10. Resolution regarding distribution of profits. The Board of Directors proposes a dividend for the financial year 1998 of 2 known per share. It is proposed that shareholders with holdings recorded on April 27, 1999 be entitled to receive the said dividend. Subject to acceptance by the Annual General Meeting, it is expected that the Securities Register Centre will send out notices of payment recorded obserbolders and listed depositaties on May 4, 1999.
- 11. The matter of discharge of the members of the Board and the President from liability. it is proposed that the Board members and the President in account station of the auditor are discharged from liability fo
- 12. Changes to the Articles of Association. The Board of Directors proposes that the Articles of Association be changed so that §§ 6 (second paragraph), 7, 10, 12, 14 and 15 will have

§6 (second paragraph)

In a vote at a general meeting, each Series A state shall carry one vote and each Series B share 1/1000 1/10 of a vote.

47 Any person entered in the share register or in a first pursuant to Section 3, sub-section 12 of the Swedish Companies Act (1975:1385) on the subulated recording date, shall be deemed to be emitted to receive a dividend, some emissioner and — in the event of a bount issue — new share(s) confidences to the bolder and re-excess the

er's preferencial right to take part in an issue €10 The Company shall have one or two undiscus and a maximum of two deputy auctions, we appointed a the avenual general according for the

Notice to strend a general meeting and other notices to shursbeider shall be in the form of an unnoncement inserted once in a deligner paper-appearing. Post- och Innibes Tidningar and in Dagers Nyhet or other national newspapers in Gethenburg and once in a deligner.

Notice to a utund an annual general meeting and notice to attend as extra general meeting where an issue relating to a change of the Articles of Association will be dealt with shall be issued no earlier than six weeks and no later than four weeks prior to the general meesing. Notice to attend another kind of extra general meeting shall be issued no earlier than six weeks and no later than two weeks prior

eral meeting shall be held once a year in Arcil or Mes. The following matters shall be dealt with at the mount general meeting:

- election of a chairman for the meeting, drawing up and approval of the voting list, approval of agenda
- election of persons to verify the mix consideration of whether the meeting has been duly ecoverned, presentation of the annual report, audit report, consolidated
- ecounts and audit report for the Group,
- decisions arising from the Combany's profit or loss according a the adopted behaver sheets,
- the matter of discharge of the members of the Board and the
- President from fiability, determination of the number of Board members and deputy Board members, and where appropriate auditors and deputy
- ion of feet for the Bound of Directors and mulitor
- 12 444 election of Board members, and deputy Board members, and where appropriate ministers and deputy auditors, 13 425 other matters that have been duly referred to the general meeting.
- Any shareholder wishing to utand a general meeting shall notify the Company no later than 12 noon on the day specified in the nonce to attend the meeting. This day may not be a Sanday, other public holder, Saturday, Midsammer's Eve. Christonas Eve or New Year's bookday, Saturday, Midsummer's Eve. Christonia Eve or New Year's
 Eve and shall not fall earlier than the fifth weekday prior to the general

A shareholder may, at the general meeting, bring one or two assistants, yet only if the shareholder has notified the Computer bereigh according to the previous paragraph,

The proposed changes of § 6 second paragraph of the Asticles of Association mean that the voting rights for B shares are changed from 1/1000 of a vote per B share to 1/10 of a vote per B share. For the general meeting to decide on such a change of the voting power, the proposal most be supported by two thats of the votes given and the shares represented at the general meeting as well as by half of all A shares and nine tenths of the A shares represented at the general meeting.

- 13. Determination of number of Board members and deputy It is proposed that the Board shall consust of eight ordinary members
- 14. Determination of number of auditors and deputy auditors and auditor's term of office. It is proposed that one auditor without denuty is elected for the nepol a to the end of the general meeting, pursuant to Section 9, sub-section 7 for paragraph of the Swedish Companies Act, held in the financial year 2001.
- 15. Determination of fee for the Board of Directors It is proposed that the Board of Directors for the period up to end of the next general meeting receive a fee of 2 350 000 kronor, which, after agreement, be distributed between the Board members elected at the meeting with the exception of a member employed by the company.
- 16. Determination of fees for the auditors. It is proposed that the auditor is paid for work performed as involved.
- 17. Election of Board members and deputy Board members. Shareholders, who together represent more than 30 percent of the state capital and 50 percent of the votes of the total number of company share have informed the company that they recommend for re-election ordana Board members Anders Scharp, Grovmen Mario Rosagnobo, Per-Olof Eriksson, Sune Carleson, Sören Gyll, Helmut Wenner, Vito H Baumgart and Ulla Litzen. Mannz Sahlin has declined re-election.
- 18. Election of auditors and deputy auditors.
 It is proposed that the auditing company Arthur Audiersen AB be re-elected

Companies Act, a written notice according to the above will be sent to every shareholder whose postal address is known to the

Göteborg, April 1999 Aktiebolaget SKF

Heads roll before the Orient express

Mitsubishi Electric's president has western view on revamping, says Paul Abrahams

nen mitsuoisni siectric picked ichiro Tanhe said_ "Its day is just

a year ago, the choice seemed uninspired. Compared with Naoyuki Akikusa at Fufftsu or Taizo Nishidynamic and fluent English speakers - the apparently staid Mr Taniguchi seemed ill-equipped to deal with the crisis at the Japanese industrial electronics conglo-

Virtually everything that could go wrong at Mitsubishi Electric had gone wrong. lts building-related businesses elevators and escalators had been mauled by the collapse in regional demand; the industrial and factory automation division hit by the sharp drop in domestic capital spending; consumer operations hurt by the unwillingness of the Japanese to spend during recession: and the semiconductor husiness damaged by a plunge in prices.

As Mr Taniguchi took the heim, the group posted a net loss of Y105bn (\$872m) and passed its dividend for the first time in more than 50 years. But management appeared paralysed: executhing and anybody but them-

Although overseas operations were rationalised. Mr Taniguchi insisted a restructuring of the domestic businesses was unneceselectronics from low-margin commodity

By Alexandra Harney in Tokyo and Androne Edgeofitts—Johnson

Nissan Motor hinted

vesterday that it could end a

oint agreement with Ford

on the production of mini-

vans in the US, following the

Japanese carmaker's recent

alliance with Renault of

Yoshikazu Hanawa, Nis-

newspaper as saying that he

has "no intention" of renew-

san president, was quoted by as Quest, and Ford as the the Nihon Keizai Shimbun Villager.

Then Mitsubishi Elec- conglomerate is not over,

v iguchi as its president dawning." Yesterday, such conservative views were thrown out

the window. Mr Taniguchi revealed restructuring as muro at Toshiba - both radical as any yet announced by a Japanese industrial group. Underlying Mr Taniguchi's

vision is the assumption that difficult market conditions will persist. Tachi Kiuchi, a board director, has been insisting that Mitsubishl Electric must accept that the recessionary environment is normality. The most radical part of the plan is the rationalisa

tion of Mitsubishi Electric's sprawling business empire. Mr Taniguchi's explanation was blunt: "Those fousinesses] deemed difficult or impossible to return to profitability will be spun off, sold or shut down by March 2001." Such comments may be common among western chief executives, but that is radical talk in Japan. owever, Mr Taniguchi

was vague as to which businesses would be eliminated. He did say that the three loss-making divisions were audio-visual, information systems and semiconductors, but added that there were loss-making businesses in profitable divisions. He said the semiconductor operations were not for sale, as the company

Nissan said later that the

report was not accurate, and

that Mr Hanawa had only

stated that he did not believe

Renault had an appropriate

alternative vehicle for the

Under the joint production

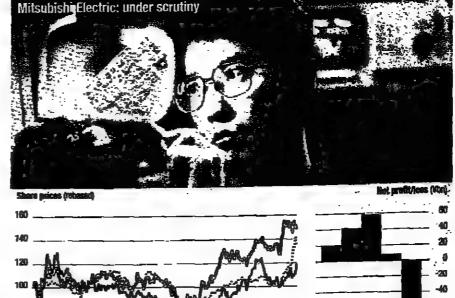
bied people carriers at its

factory in Ohio since 1992.

Nissan markets the vehicles

The mini-van venture is

US market "at this time".



The core businesses include communications infrastructure such as fibreoptic cables and satellite communications, highquality image processing, internet and intranet security, mass communication systems and wireless teleony. These are fast-growing or highly profitable, although he did not rule out alliances in these sectors to

build critical mass. Mr Taniguchi did say the energy systems operations, public systems, building systems, home electronics. factory automation and the automotive electronics businesses might be promoted through strategic alliances and spin-offs.

additional international Moreover, what it does

fresh start in the US market.

where it recorded Y80bn

(\$664m) in losses last year

and has been struggling to

model cycle, Nissan said.

Last year, sales fell to 30.500

from a peak of about 60,000

The sluggish sales reflect

Nissan's dismal performance

Sales of the Quest have tumbled in recent years as it

return to the black.

in 1993.

the only agreement of its in the US market in recent

ing the venture in 2004, kind between Ford and Nis- years. Unlike rivals Toyots keting strategies to lure

enable Nissan to make a heavily on leases and other

for joint-venture partners. These included core businesses such as cellular phones and satellite communications, as well as elevators and escalators and air

conditioning, among others. One of Mr Taniguchi's priorities is to reduce the ratio of debt to assets, from 40 per cent to less than 35 per cent by March 2002. One way this will be achieved is through initial public offerings in about 10 affiliated companies, which Mr Taniguchi

again declined to identify. Cashflow management would be a new priority for the company. Mitsubishi Electric planned to cut capital investment by about 20 per cent and research and reiopment by 10 per cent Some businesses required in the year to March 2000.

purchase incentives to sell

cars in the US, which led to

heavy losses and mounting

This performance has

in the US, the world's largest leveraged Japanese automotive market. Renault carmaker, which expects

ault and Nissan's prospects

was forced to withdraw from the US in 1987 because of

Analysts warn that Ren-

slow sales.

reach and might be looking spend it intends to invest more wisely; one director said the company's capital allocation techniques had hitherto been "childish".

launching an aggressive cost-cutting exercise. "We must construct a profit structure that is not dependent on volume increases. said Mr Taniguchi, Fixed costs would be cut by Y100bu and variable costs by

95 96 97 38

fiscal year that ended yester-Finally, the group is

From June, the board will be cut from 33 to 24. And Mr Taniguchi has created a strategy committee that can look at the businesses' performance with a dispassion

Though Mr Taniguchi's targets are clear, the way he plans to achieve them remains hazy. The difficult

day, because of mounting losses at several power plant projects in south-east Asia and the Middle East Mr Nishioka said his first priority was to eliminate the recent losses and put the group on a firm financial "I feel the weight of

part will be implementation.

Nissan may end Ford mini-van deal pre-tax income of Y43bn (\$357m) on sales of Y2,500bn in this fiscal year, sharply below record earnings achieved only two years ago.

Mr Nishioka is the first when it is due to expire. san, and withdrawal would and Honda, Nissan relied back US consumers. "Nissan has a terrible brand image in president in four terms to be appointed from outside the the US." said one analyst. who asked not to be named. power systems division, "I think Renault has made a until recently accounted for 40 per cent of big mistake," he added. Speculation about the total sales, and the first presending of the Ford venture ident from the aerospace comes as the highly

rebuilding.

division in 26 years. Though some analysts saw his appointment as suggesting that MHI was serious year, is meeting with about refocusing on earnings suppliers to warn that and shareholder value, others said profitability would ault and Nissan will need to expect lower prices and not improve until the group revamp their brand and mar- greater efficiency from its started eliminating exces

managers

after los

By Alexandra Harney in a

Mitsubishi Heavy h Japan's largest divers

machinery manufa

its recent slump.

yesterday announced a man-

agement reshuffle aimed at

pulling the company out of

Takashi Nishioka.

vice-president of the mero-

space division, will replace

Nobuyuki Masuda as presi-

Mr Masuda will replace

Kentaro Aikawa, who was

known for his outspoken

support of preserving

employment rather than

raising shareholder value, as

MHI, which makes nuclear

and electric power plants,

ships, aircraft and industrial

machinery, last month

warned it would record a

loss in the second half of the

responsibility during these

severe conditions." he said.

The first thing to do will be

to improve the situation at

The losses were the result

of expensive repairs MHI

was forced to make after

parts outsourced from local

manufacturers proved defec-

tive, and the company was

forced to supervise the

MHI now expects parent

chairman.

Keener market |Investors in PCI Bank erodes Maruti may sell up to 72%

By Mark Michiglinos in New Delhi

Maruti, the Suzuki-Indian ministry official and a memgovernment joint venture ber of the influential planwhich is India's biggest car-maker, reported its first week that the government's annual profit setback in Maruti stake was a prime cent fall in pre-tax profits to sure in a declining car competition.

Rs81.2bn in spite of a pick-up thanks to the company's decision to slash prices for

800cc model. Nevertheless, the profit fall is likely to inspire further talk of an eventual disinvestment of the Indian government's stake in its 16year-old joint venture with

Commentators bave argued that the government should sell some or all of its stake before competition ket for almost 15 years. erodes the company's

Montek Singh Ahluwalia, India's former chief finance

eight years, showing a 20 per candidate for an early sale. The company said it held Rs7.8bn (\$183.8m), which an 80 per cent share of commentators ascribed to India's passenger car market increasing competitive pres- against sharply increased

Citing a "very difficult" Sales for the year to March trading year for all carfell by 4.3 per cent to makers, R. Bhaskarudu, managing director of the at the end of the year, 50-50 joint venture, said Maruti had managed to "contain" pressure on profits its cheapest and best-selling and sales through cost-cutting, the price cuts and introduction of additional features on most models. Profit after tax fell 20 per

cent to Rs5.2bn. Domestic sales slipped 6 per cent to 309,094 models. being sales of the most basic 800cc Maruti, which bas dominated the Indian mar-

Total production also fell to 332,931 models, a slide of 6 By Teny Terroll in Marsh

International Bank, the ABN Amro and Develop- of about 10. country's fourth largest commercial bank, has confirmed that two dominant shareholders in the bank could be selling their stakes. Rafael Buenaventura, the are on the list of potential

bank's president, who is candidates. widely expected to be appointed soon as governor of the Philippine central bank, said the joint sale of a combined 72 per cent stake belonging to the Gokongwei and Lopez families was *serious under consideration".

His comments came after in assets, PCI Bank would months of speculation over a offer a large local bank the sale by its two leading shareholders had led to volatility in the bank's share price. Rumours over a disagreement between the two families fuelled expectations of the sale, and the bank's share price nearly doubled. from 120 pesos on December 7 to yesterday's close of 219

Analysts estimate the combined block would be worth

would attract a long queue ment Bank of Singapore, as

well as local banks including Metropolitan Bank, Bank of the Philippine Islands and Far East Bank and Trust Co. Girish Kumar, regional

banking analyst with Merrill Lynch, said many local and international banks would take a "very serious look" at PCI Bank. "There are not many banks of its size and quality up for sale," he sald. With 150bn pesos (\$3.87bn)

opportunity to leapfrog into market dominance, and a foreign bank the chance to establish an extensive local PCI is regarded as one of

the country's better banks, although its reputation has slipped a little over the past 18 months during the Asian economic crisis. Analysts said relatively high exposure to foreign currency lending had seen its non-performing

loans rise to about 13 per of local and international cent at the end of December Philippine Commercial suitors. FISBC Holdings, above the industry average

Y30bn in losses this fiscal

Nissan and Renault will

'However, while analysts would expect strong interest doubts remain over whether both the Gokongwei and Lopez families are planning

Analysts believe the Lopez family could be the sole seller. The family is believed to be looking to lift its 33 per cent stake in Manila Electric, the Philippines' largest power distributor, to retain control of the company and raise funds for other

"We have not discounted the possibility that Mr Gokongwei would sell his stake with the Lopez Group. against a very attractive offer. However, we are more inclined to think that only the Lopez family has a compelling reason to leave PCI Bank," said Ismael Pili, analyst with Indosuez WI Carr. Ed Bancod, analyst with Paribas Asia, also cautioned that the sale of the joint stake remained largely

Groups sell **C&W Optus**

Two of Australia's biggest media groups, Seven Network and Publishing & Broadcasting (PBL), have each offloaded large shareholdings in Cable & Wireless Optus, the telecommunications group controlled by the UK's Cable and Wireless.

Seven, controlled by entrepreneur Kerry Stokes, sold 75m C&W Optus shares at A\$3.65 each, realising a profit of more than A\$130m (US\$81.6m). It will use the proceeds to

fund a proposed share buy-back, but intends to hold on to its remaining 50m C&W phures.

PBL, controlled by Kerry Packer, also revealed it had completed the gradual liquidation of its holding of 64.5m shares in C&W Optus at a A\$136.6m profit. PBL offloaded 16.5m

shares on Wednesday, having already sold 48m since January. PBL said it had received an average price of A\$3.48 for its 64.5m shares. C&W Optus shares closed down 1 cent at A\$3.65.

INDONESIA MANAGEMENT JOINT VENTURE STILL SUBJECT TO GOVERNMENT VETO

Hutchison arm buys 51% stake in ports

Hong Kong's Hutchison Whampoa yesterday Aneka Tambang, the announced that a subsidiary party-privatised indo had agreed to pay \$215m for a 51 per cent stake in management of two large Indone- exchange rate for a 360 per sian port terminals, despite a cent rise in profits but lower continued government veto on important decisions.

Grosbeak, a 100 per cent Hutchison subsidiary, will manage the two container terminals in Jakarta jointly units to 3.1m TEU, on a tion revenues to \$421.5m, with Pelabuhan II, the stateowned port authority, for 20 pledged to invest \$340m dur- the fiscal year, which ends backed away from privatising the concession to almost today. That compares with ing the port outright and

Aneka Tambang benefits from fall in rupiah rate a decline in months to

come, writes Sander

partly-privatised Indonesian mining company, yesterday credited a fall in the rupiah metal prices and lilegal mining prevented even

This was only the third

Net profits for 1998 were Rp319.6bn (\$36.6m), up from Rp69.5bn, as the ruplah value of sales more than doubled to stronger results and promise rp1,021.9bn, from

build-operate-transfer basis. well below the \$1.5bn target. Grosbeak went ahead even of State Enterprises. "Grostees from Hutchison." years. The joint venture sale of government stakes in though the government beak did not like the

prices down 35 per cent. Gold production slumped to 1,569kg, from 2,004kg, due largely to illegal mining.

Rp449.6bn. In dollar terms

sales contracted, however,

with realised femonickel

sales prices down 31 per

cent and high grade nickel

Grosbeak said it was not

Sofyan Djalll, of the Ministry

the company agreed to the reduce market value. move. Goldman Sachs.

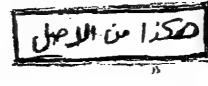
would not put up any cash, two terminals now put forcing the venture to rely under concession. on cashflow or loan guaran-

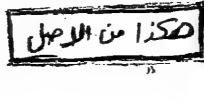
current L6m tons-equivalent tions, and brought privatisa- "That's why negotiations port joint ventures being that the modifications of the until later this year.

subject to a government sales, such as a reduction of veto, and would not say why the stakes and the veto. Hutchison is the world's which advised the govern- largest independent conment on the sale, would not tainer port operator, with

say which decisions could be stakes in 17 ports - that account for about 10 per cent As the joint venture's of global container traffic. assets are held only in con- Pelabuhan II operates 29 cession, they cannot be ports that handle the majorpledged as collateral. Mr ity of Indonesia's trade, Half Djalil said Pelabuhan II of its profits came from the

Mr Dialil said the next privatisation will be at the rival Indonesian members of Pelabuhan III port in Suraparliament have accused the baya, which has received government of selling assets live bids. Three other large double capacity, from the original plans for 12 auc- insisted on keeping its veto. aware of other Hutchison cheeply, but officials argue sales have been delayed







TO ALL STOCKHOLDERS OF TELECOM ITALIA

OPEN LETTER FROM FRANCO BERNABÈ.

I wish to address all stockholders who are interested in the future of this Company, which is one of the largest telecommunications operators in the world.

Three months ago I was called to Telecom Italia to develop its great growth potential and to create all the value the Company is capable of, which is substantial. I accepted this assignment as a personal challenge, and as a natural continuation of the engagement that I brought to a successful conclusion at ENI, which is very similar to the current one.

Together with Management I developed a competitive Industrial Plan based on the latest models of telecommunications technology, and on the integration of wired and wireless telephony, of Telecom Italia and TIM. As a result, wired telephony will benefit from a boost of innovation from cellular telephony, and wireless telephony will make use of the know-how and experience achieved by Telecom Italia over many years of leadership.

We then launched a concerted cost reduction plan and made financial decisions in support of new investments capable of creating further value.

These plans represent the basis of our Company's development, but they must be implemented with the appropriate rigor and in a stable environment.

And this is exactly what Olivetti wishes to prevent, with the demands it has made to vote against all resolutions proposed at the Stockholders' Meeting.

My personal commitment to Telecom Italia's stockholders calls for:

- 1) Maximizing stockholder value;
- 2) Repositioning the Company to facilitate its growth;
- 3) Being accountable to, and open with, the stockholders;
- 4) Providing continous information to stockholders;
- 5) Achieving the correct market value.

Telecommunications companies will have a growing importance on the stock markets in the third millennium: I expect Telecom Italia to occupy a leadership role in this process.

Franco Bernabè
Chief Executive Officer

Groups & shares !!

. nort

US expansion for RMC

RMC, the cement and been mindful of the prices make a formal offer. Offers 2001. ready-mixed concrete group, has bought two US bustnesses for a total of \$116.8m including debt.

The move follows widespread criticism that the of \$14.2m. group has been too preoccupied by its business in Germany and has been under-

Products, which operates in Texas and New Mexico, and Reno Sparks Ready Mix in Scancem board member. Nevada. They mean RMC said: "It feels like RMC is now operates in 12 US states.

two other acquisitions we beginning."

RESULTS

British Fittings

laistend (Jav

JICK ON & Gas

hope to close in the next being asked for businesses." The price it is paying for Jobe and Reno Sparks represents 8.2 times their earnings before interest and tax

He declined to comment on whether RMC would bid for all or part of Scancem. represented in the expanding the Nordic building materials group which is being auc-The businesses being tioned by Aker and Skanska bought are Jobe Concrete and which analysis value at more than £1bn.

Lennart Johansson, a willing to buy the whole Peter Young, chief execu- company, that's the perceptive, said: "We have one or tion we've had from the

640 9 51.2

Yr to Jan 31

Yr to Dec 31 Yr to Dec 31

Yr to Dec 31

Yr to Dec 31 25.9 Yr to Dec 31 3.76 6 mths to Dec 31 2.84

Yr to Jan 31 139.3 Yr to Dec 31 291.5 Yr to Dec 31 15

109.9

2.71 128

9.08 4.12

____ Yr to Jen 31 192.3 (191.8)

Yr to Dec 31 Yr to Dec 26 6 miths to Dec 31 *

Yr to Dec 31

Yr to Dec 31 *

Yr in Dec 31

6 miths to Jan 37 258.5

Yr to Dec 31 * 4,410

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Yr to Dec 31

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(88 8) (31.6) (8.54) (576) (14.6) (39.9) (1.97)

(32.8) 1.27 (1.97) 34.3LB (2.77C) 0 856 (20.3) 3.184 (35.6) 4.65 (122.2) 2.714 (221.7) 1.714 (31.2) 36.3.4 (110.9) 7.364 (104) 1.1514 (103) 0.018 (13.5) 1.35 (13.5) 1.38

(135) 1.07 (275) 0.438 (122) 3.36 (328.5) 28.8 (21.1) 2.61.4 (31) 2.61.4 (31) 2.61.4 (31) 3.54 (4.330) 3.34.4 (4.330) 3.34.4

(53.1) 5.33.4 (2.68) 15.9.8 (7.35) 0.04 (3.79) 0.333.4 (7.79) 2.06.

0.018 1.87 0.438 3.36 28.6

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(0.374L4) (25 9L8) (1.19) (4.034) (4.42) (1.894) (5.23) (5.444) (2.19) (3.44)

(0.341L) (0.011) (0.513)

(2.42) (28.6) (1.244) (7.23)

(0 28♥) (1.7♠) (307.5)

(0.238) (0.631 •)

Emmings shown basic. Dividencis shown net, Figures in breckets are for corresponding period. After exceptional charge. Water exceptional credit. 10m incre of comparatives for 15 months. Galan stock. Airish currency. 10n reduced capital. 4 Comparatives restated. 5tS currency. 11 Total income. 28 After tax.

Carriers (20)

(4) 17.74L (17.3LIII) 0.59L

7.77 (7.48) 4.49† (4.61)

46.38L† 33.53 22 8L‡

3 1,58 0.1 82.4

0.02L† 2.4L 0.39L

RMC is understood not to this year, but will have a three or four months. We've have decided whether to are due after Easter and will be considered at a Scancem board meeting on April

> RMC yesterday said pretax profits before exceptionals fell 14 per cent to £264.5m (\$425.8m) in the year to December 31 because of difficult trading in Germany, as it predicted in its January Warning

> lts German profit declined by 39 per cent to £76m after a slowdown in the east of the country, particularly because of poor weather con-

RMC expects volumes in much as another 8 per cent (70p).

Nay 24 May 25 Ame 1

(4.52) (18 04) (51,85)

(31.65) (31.65) (11.84) (9.67) (4.19L) (3.5L) (7.4) (14.2)

(22.03) (14.7) (5.85£) (0.04) (13.5) (4.5) (20.5)

"small uplift" in 2000 or

UK profits edged up 1 per cent to £87.3m and in the rest of Europe, excluding Germany, profits rose 17 per

cent to £79.3m. In the US, profits rose 17 per cent to £54.2m.

Group pre-tax profit rose 8.7 per cent to \$334.4m after a 269.9m exceptional gain, mostly from the profit on the sale of its Hall & Co builders' merchant to Wolseley.

Turnover rose 1.8 per cent to £4.41bn. The board is recommend

ing a 20.5p (19.8p) final dividend, lifting the total 3.6 per cent to 29p, payable from east Germany to fall by as earnings per share of 82.4p

12.73

3.65

BP/Arco deal could derail tracker funds

obert Cerzine

The proposed \$25bn takeover of Atlantic Richfield of the US by BP Amoco could derail unit trusts worth over £2hn which aim to track the popular FTSE 100 index. The deal would take RP Amoco's value in the index close to 10 per cent, also the legal maximum the trusts can hold in

BP Amoco is already the largest company in the Footsie. Its market capitalisation fluctuated yesterday between £104bn (\$167bn) and £102hn, 8.5 per cent of the index. But if the Arco takeover went through at \$77 a. share, as analysts predict, its

one share.

£117bn, about 10 per cent. For index tracking funds, which attempt to match the performance of an index by holding all the shares in it, this would make it impossible to equal index perfor-

size would increase to some

"It is clear that if the 10 per cent ceiling prevails

tions at the Association of Unit Trusts and Investment Funds, an industry body. "We are lobbying for clarification. One large fund manager

there is a conflict from the

objective of the fund and the

rules", said Anne McMee-

han, director of communica-

suggested FTSE 100 index funds could abandon the blue-chip Footsie and move to the broader All-Share index. However, this would he only a temporary solution as BP Amoco already makes up 6.8 per cent of the All-

John Demaine, managing director of product development at Barclays Global investors, the largest index tracking fund manager, said: "[BP Amoco] moving just over the 10 per cent limit is not going to introduce an enormous amount of tracking error."

BP Amoco refused to com ment. However, markets expect a formal announce ment on the Arco deal as early as today.

Hold-up in ICI/ Huntsman deal

and Virginia Marsh in London

Talks between Imperial Chemical Industries of the UK and Huntsman of the US have hit a last-minute hitch and the companies are now hoping to be able to sign and announce their \$2.8bn deal in mid-April.

People involved in the negotiations said the talks had cooled, albeit temporarily, and Huntsman executives had flown back to the

US without signing the deal. One said the hold-up should be seen as protraction and delay rather than collapse. Talks had reached a pear-final stage on Tues day, with agreement that the UK company would retain a minority stake in the busi-

nesses it sold to Huntsman. The deal, drawn up but not signed, would see Huntsman acquire parts of ICI's materials and industrial chemicals division, including

its tioxide business. MBO to approach **Swallow**

again By Chris Tighe and Banki

The management buy-out team trying to save Swallow's two breweries in was expected last night to table two last ditch offers.

Swallow, the botels and bs group formerly known as Vanx, last week rejected a £70m (\$113m) offer for the breweries and 350 tenanted pubs from the buy-out team. which is led by Frank Nicbolson, managing director of the brewing division.

Its decision resulted in the resignation of his younger brother Sir Paul Nicholson as non-executive chairman after he attacked the board

Now the MSQ team is believed to be ready almost to double the price if Swallow agrees to sell all 660 ten-

anted pubs. Alternatively the MBO and its venture capital backer Alchemy Partners is understood to be willing to accept a shortened beer supply agreement in return for a price well below £70m. Their requirement for a five-year guaranteed market for their beers through Swallow's outlets was one of the big sticking points in the unsuccess-

Swallow has been under strong political and commu nity pressure since it rejected the previous bid on grounds of insufficient

hareholder value. It will be pressed hard for a rapid decision on the latest offers because of the adverse impact of the continuing uncertainty on the brewing division's customers and 700 employees. Redundancy notices are set to go to employees next week, with the breweries closing on July 2 if there is no

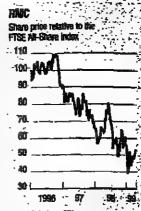
"Every day which goes by our business is being damaged," said Mr Nicholson yesterday, "There have been significant customers voicing their concern."

Mr Nicholson said he was keen to see a decision from Swallow on the revised offers by Tuesday. He thought it "unlikely but not impossible" that the board would reverse its decision not to sell to the MBO.

Rejection of the revised bids would almost certainly kill the MBO plan. "There's just nothing else," said Mr

COMMENT

Swedish-style seduction is a relaxed affair. Not for Scancem, the role of blushing Share price retails to the bride. A director of the Scandinavlan cement concern has said intriguingly that RMC could buy the whole company - including Castle, a big UR cement producer. This may be a tease to reel in the bids. But if RMC is keen, it could prompt a shake-up of its home market. So far. UK cement and concrete producers have resisted the vertical integration of their continental European peers. If RMC, a



concrete heavy, moved upstream into cement, rivals such as Aggregate Industries might follow suit. There could be drawbacks to this strategy. UK concrete companies already benefit from stiff competition among cement suppliers. If snapping up domestic cement companies made so much sense, why has Lafarge, the integrated French group, not moved following its acquisition of Redland? And in areas where RMC did not need all Castle's cement, it might find it difficult to persuade its concrete rivals to buy the surplus.

So the UK government has done it again, caving in to the tit-for-tattery of European cor subsidies. In an industry suffering from global excess capacity, nothing could have boosted Labour's credibility more than refusing to play along. But if rumours are right that the bung is in the order of £150m, at least BMW has not squeezed the British taxpayer too hard. Although sweeter than the government's opening shot of £118m, such a sum represents less than 10 per cent of the £1.7bn cost of upgrading Longbridge. It compares favourably with the more lavish deals of old, rightly reflecting the fact that BMW's threat to move production to Hungary lacked credibility, not least because the UK is Rover's biggest market.

In the context of the leap of faith BMW shareholders are taking, this cash injection is a trifle. Fantastic reviews for Rover's recently launched R75 and a hard-won labour agreement are a much better justification for the risk of going ahead with new mid-size models for the British brand. The road back to sustainable profitability may be long and full of potholes, but Rover has a 50-50 chance of making it before BMW shareholders are thoroughly sick. Since they have already absorbed the worst of Rover's losses, they should not turn back now.

NEWS DIGEST

CONSTRUCTION

Costain returns to black after five years

Costein, the construction group which came close to collapse 18 months ago, reported its first profit since 1993 with a pre-tax figure of £500,000 (\$800,000) last year against a £7.4m loss in 1997. The group lost £2.4m at the operating level, but pre-tax profits were lifted by £2.5m interest receipts, the first interest the group had received this decade. The group's quest for less risky, higher margin business led to a 32 per cent fall in turnover to £391.5m. John Armitt, chief executive, said: "The absolute priority for Costain has been the need to focus on financial stabil-

ity and minimising risk." The group plunged into difficulties in the early 1990s after write-downs on the value of its land bank and losses on its US coalmining business, losing £600m between

1991 and 1996. Mr Armitt said Costain was now returning to the shortbecause of fears about its financial stability, it often bids with Skanska, the Swedish construction group, which

holds a 7.6 per cent stake. Mr Armitt said the construction industry would anjoy "sensible growth" this year. He is reorganising the group and expects to cut costs by £10m next year.

The shares - which were suspended for a year until November 1997 after the group plunged into trouble rose 1p to 181/2p. They were relisted after shareholders supported a plan to raise £47.5m from a share sale, including debt conversion. That refinancing, the group's second in two years, left Skanska with its 7.6 per cent stake. Skanska has the option to raise its holding to 40 per cent in the next 18 months at an average price of 45p a share. Intrie, the Melaysian construction group, holds a 37.8 per cent stake. Kharafi, the Kuwaiti-based construction company, holds 19.9 per cent. Charles Pretziik

ENGINEERING

BTR Siebe confirms review

BTR Siebe vesterday confirmed it had appointed Goldman Sachs and Morgan Stanley, the investment banks, to review its business portfolio. The engineer is thought to want to raise about £1.9bn (\$3.1bn) from the sale of its automotive and paper technology businesses to focus more clearly on engineering controls and automation. Deals are not expected to be concluded before June. The advisers are also believed to be looking at options for further acquisitions.

Separately, BTR Siebe announced that Nemic-Lambda, its majority owned Japanese subsidiary, was to pay Y6.7bn (\$55.8m) for NEC's stake in Nippon Electric Industry, the power switching group known in Japan as Densei. Nemic-Lambda would then acquire the remaining shares in Densei in exchange for its own paper in a deal valuing the residual stake at Y6.7bn. It will also assume Y13.8bn of debt. The deal will more than double Nemic-Lambda's sales to some Y60bn. BTR Siebe was advised by Morgan Stanley Dean Witter, Nemic-Lambda by Sumitomo Bank. Paul Abrahams in Tokyo and Thorold Barker in London

FGOD MANUFACTURING

Tomkins finds buyer for mills

Tomkins has found a buyer for the four Spillers flour mills it was ordered to sell following a Monopolies and Mergers Commission report last year. The purchaser is Archer-Daniels-Midland, an agribusiness group based in Decatur, Illinois. The price was not disclosed at ADM's request, but analysts speculated that Tomkins would have raised less than 230m for the mills, which it acquired with two others for a total price of £92m. Tomkins said the loss on the sale would be covered by the £40m provision made at the time of its interim results in January.

The Office of Fair Trading has approved the purchase. ADM's activities in the UK are largely confined to edible

The sale brings to an end an embarrassing episode for Tomkins. It acquired the six Spillers mills from Kerry Group, the irish company, last March. It aimed to integrate them with its own Rank Hovis milling business, and had thought the deal would not be referred to the MMC. But the MMC decided that Tomkins' ownership of all six mills could be expected to push up flour and bread prices. Maggie Urry

2.45

Apr 6

TELECOM ITALIA MOBILE S.p.A.

Registered office in Turin, Via Bertola n.34, Secondary Office in Rome, Via Rizzo n.22 Entirely paid up share capital L410,203,571,850

Entered under N~2582/95 in the Ordinary Section of the Company Register of Turin.

NOTICE OF SPECIAL MEETING FOR HOLDERS OF SAVINGS SHARES

The holders of savings shares are invited to a Meeting to be held in Turin, at the Sala Congressi of Via A. Bertola n. 34, on 28 April 1999 at 6 p.m. at first call, and on 29 April 1999 and 30 April 1999, respectively, at second and third call, at II a.m. to discuss and vote upon the following:

Agenda

1) The appointment of a common representative for holders of savings shares and the fixing of his terms of office and emolument.

Entitlement to participate in the Meeting is reserved to all holders of savings shares who can present the required certification issued by an authorized intermediary pursuant to article 85 of Legislative Decree 24 February 1998 n.58 and article 34 of the Consob Resolution n.11768 of 23 December 1998.

The holders of shares that have still not been dematerialised should deposit their shares with an authorized intermediary in order to file them in the collective management system pursuant to article 51 of Consob Resolution n. 11768 of 23 December 1998, with the consequent issuance of the necessary certification. The Company may be also requested to undertake the foregoing operations as an intermediary pursuant to article 24, first paragraph letter e) of the foregoing Consob Resolution n. I 1768, at the registered office of the Company in Via Bertola n.34 and the secondary office in Rome, Via Luigi Rizzo n.22.

> The Common Representative (Prof. Carlo Pasteris)

The notice of the convocation of the Meeting was published in the Official Gozette of the Italian Republic, part II 27 March 1999, n. 72.

Persons interested in the Meeting may request further information from TIM's Corporate Secretariat. through the number 0039-06-39002654

The present notice is also available at the Internet address; http://www.tim.it



MEN

Europe subdued ahead of Easter holiday

EUROPEAN OVERVIEW

By Bertrand Besoit

The main European equity markets closed higher yesterday despite a sluggish start on Wall Street and weak economic figures from France. But activity remained subdued ahead of the four-day Easter week-

Figures from INSEE, the

French statistical agency, tions of rate hikes putting weak euro could make this cent to 1,258.89, while the showed a 7,900 rise in seasonally adjusted unemployment, the first increase since August last year.

Short of damping enthusiasm, the figures boosted equity strategist at ABNexpectations that the European Central Bank would cut interest rates when its board meets on April 8.

"Europe has decoupled from the US today, with rising bond yields and expecta-

pressure on equities in New York, while European investors were thriving on hopes of a rate cut next week," said Matt Dennis, European

Although most analysts now expect the ECB to cut rates at one of its next two rising oil prices, fears of a pick-up in inflation, and the index rose 8.18 or 0.7 per

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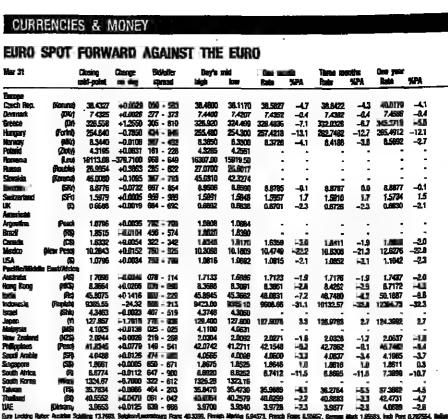
the last cut in the economic FTSE Eurotop 100 added 16.80 or 0.6 per cent to 2,920.06. The FTSE Ebloc 100 tively to the French figures index closed 9.23 or 0.9 per cent higher to 1,031.48.

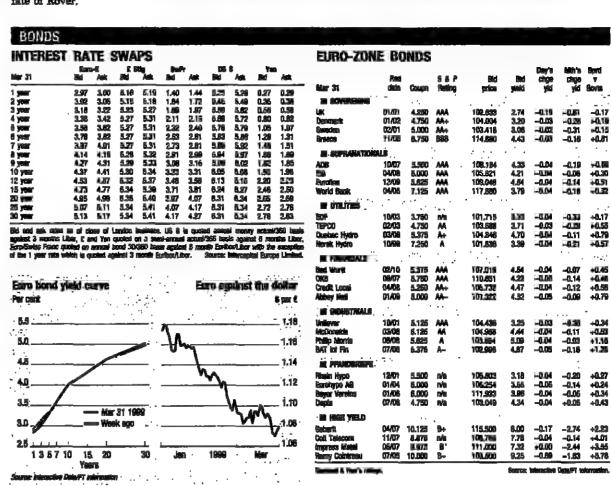
strong performance, with sustained earnings so far, is British Telecom ending 10 with AT&T had been cleared

> adding €3.90 to €74.90 as Olivetti's increased bid for Telecom Italia supported sentiment for the sector.

Another winner was Daim lerChrysler, which closed 80 cents higher at €80.55 after it said that 1999 profit growth would match sales forecasts

BMW lost €27.20 to €606 following a meeting with analysts where the company





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ABBEY MATIONAL

Abbey National First Capital B.V.

Can\$100,000,000 Subordinated Collared Floating Rate Notes 2004 Notice is hereby given that

at 6.375% per annum rem 30 March 1999 to 30 September 1999, interest payable on 30 September 199 will amount to Can\$32.14 per Can\$1,000 note,Can\$321.37 per Can\$10,000 note and Can\$3,213,70 per

Can\$100,000 note. Global Agency and Trust Services April 1999

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EURO FREIGHT CAR FINANCE S.A. Euro 90,000,000 Series 1998-1 Class Al (outstanding Euro 76,779,729,60) Secured Hosting Rate Notes due 2016 ISIN XS0088430581

Enno 130,000,000 Series 1998-1 Class A2. Secured Floring Rate Notes due; 2016 ISIN XS0088430664

Euro 35,000,000 Series 1998-1 Class B Secured Routing Rate Notes due 2016 ISIN X50088430821 Interest Pate Class A1 3.32475% Interest Pate Class A2 3.38475% Interest Rate Class B 3.73475%

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June 30, 1999 per Denom.85,310 810666 Euro 716.97 Class A2

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BANQUE GÉNÉRALE DU LUXEMBOURG Agent Bank

The Republic of Venezuela U.S. \$912,939,000 Front Loaded Interest Reduction Bonds due 2007 USD Interest Reduction Series B

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Perfod from March 31, 1999 to September 30, 1999 the Bonds will carry a fixed interest Rate of 6% per annum. The total interest payable on the relevant interest. ST.5.000 nominel amount of which U.S. ST.6.00 remains cutstanding.

OCHASE

By: The Chase Manhalton bank

Candian, Agent Great

April 1, 1999

Notice of Holder Redemption Date

THERMO VOLTEK CORP.

3%% Convertible Subordinated Debentures due 2000

NOTICE IS HEREBY GIVEN that a Redemption Event has occurred with respect to the 34% Convertible Subordinated Debertures due 2000 (the "Debentures") of Thermo Voltek Corp. (the "Company") on March 25, 1999. As of that date, the shares of Common Stock, U.S. \$0.05 par value per share, of the Company into which the Debentures were convertible were delisted from trading on the American Stock Exchange, at the request of the Company. The delisting occurred in conjunction with the merger of the Company with its perent company, Thermodice inc. (the "Merger"), pursuant to which the Company is being taken private and will become 100% owned by Thermodice and Thermo Electron Corporation. The Merger has been effected pursuant to an Agreement and Plan of Merger dated as of November 24, 1998.

Holder Redemption Date. In accordance with Section 3(d) of the Terms and Conditions governing the Debentures, holders of the Debentures may cause the Company to redeem their Debentures on June 24,1999 (the Holder Redemption Date). The conditions precedent to redemption by the Company at the option of the holders have occurred.

Redemption Price. The redemption price of the Debentures for holders who elect to present their Debentures to the Company for redemption is 100% of the principal amount of the Debentures, together with interest accrued from May 16, 1999 to the Holder Redemption Date.

Cessation of Interest and Rights of Debentureholders who Elect Redemption. On the Holder Redemption Date, the redemption price of the Debentures presented to the Company for redemption and not converted on or prior to the Holder Redemption Date (the "Presented Debentures") will become due and payable. Interest on the Presented Debentures will cease to accrue on and after the Holder Redemption Date. The Presented Debentures will no longer be deemed outstanding after the Holder Redemption Date and all rights thereto will cease, except the right of the holders to receive the

Redemption Procedure. Holders electing to present their Debentures to the Company for redemption must surrender the Debentures to be redeemed, in whole or in part, together with the redemption notice on the Debentures duly executed, at any of the locations set forth at the end of this notice on or before the close of business on June 21, 1999. Payment of the amount to be received on redemption will be made by the Company upon presentment and sumender of the Debentures (with coupons dated November 15, 1999 and subsequent thereto attached on any Bearer Debentures) at any of the locations set truth at the end of this notice.

locations set forth at the end of this notice. If you need any further assistance on the procedures for redemption you should contact Sean Duggan/John Patten at The Chase Manhattan Bank, Telephone number: +44 1202 342167 or +44 1202 347906.

Revocation of Election to Redeem. A holder electing to present its Debantures to the Company for redemption may revoke such election by delivering a written notice of such revocation, together with such holder's non-transferable receipt for such Debentures, to any of the locations set forth at the end of this notice not later than June 21, 1999.

Holders whose Debentures are not Redeemed. Holders of Debentures who elect not to have their Debentures redeemed by the Company will have the right to convert their Debentures into the right to receive U.S. 57.00 per share of Common Stock into which their Debentures were convertible prior to the date of the Merger. Such holders may also continue to hold their Debentures until their meturity date (November 15, 2000).

Bearer and Registered Debentures may be presented for redemption and conversion at any of the

The Chase Manhattan Benk Crosby Court 38 Bishopsgate London EC2N 4AJ, England Banque Internationale a Luxembourg 69. Route d'Esch L-1470 Luxembourg Ville Luxembourg

Registered Debentures may be presented for redemption and conversion at the following additional

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The Chanc Menhaitan Benk 1201 Main Street, 18th Floor, Dallas, Texas 75202, United States

The Chase Manhattan Bank for and on behalf of Thermo Voltek Corp.

April 1, 1999

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The Republic of Venezuela

U.S. \$1,670,270,000

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○ CHASE

The Republic of Venezuela SFr 153,280,000 to accentance with the provisions of the Bonds, makes to hereby gaves that for the Bonds, makes Period have him March 37, 1909 to Expension 28, 1908 for Bonds and score at tracest Rath of 0% per annium. The national prophilis on the relevant temperat color, September 30, 1939 will be U.S. 22349 by U.S. 21300 rentales month of which U.S. 578100 rentales countaineding. or excellent will be programs of the Bonds, notice in hereby given that for the inches Period from Manch 19, 1996 to September 30, 1996 to Boncs, will carry an behaved Period to Boncs and carry an instead population on the religional approach present carry to 1997, pp. 1997,

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profits' in **Brady bonds**

By Richard Adams

A careful examination of the credit quality of individual Brady bonds reveals the potential for "unexploited profits" by using the right trading strategies, according to new research published by two academic economists.

By looking at the credit quality and pricing of individual Brady bonds - emerging market debt instruments backed by long-term US they are able to identify which bonds are overpriced and which underpriced.

Investors can sell or take short positions in the overpriced bonds, while creating long positions in the underpriced bonds. The academics say this strategy can yield profits ranging from 3.5 per cent for Costa Rican Brady bonds, to as much as 21 per cent for Venezuelan bonds.

The work*, by Professor Robert Cumby of Georgetown University and Tuyana Pastine of Bilkent University, develops a new measure of credit quality for individual bonds. It takes into account the features of each bond, and compares them across issuers, over time.

Presenting the work to the Royal Economic Society's annual conference in the UK. Dr Pastine said the research also examined the evolution of the credit quality of each debt instrument. starting from 1990, and identified which was seen to be under- or overpriced.

The attraction is that it offers a relatively "risk-tree" hedged position for investors, the authors said. Brady bonds are a series of

securities issued by six non-payment".

Argentina, Brazil, Costa Rica, Mexico, Nigeria, the Philippines and Venezuela and took their name from Nicholas Brady, Treasury Secretary under the Bush administration that began to develop use of the instruments after the Mexican

financial crisis in the 1980s. The bonds are dollar-denominated, and most use long-term US Treasuries as collateral. The collateral was mostly financed by the International Monetary Fund and the World Bank, with proceeds used by the developing economies to restructure their debt and meet other

financial creditors, such as US investment banks. * "Emerging Market Debt: Measuring Credit Quality and Testing for Mispricing working paper. Robert Department of Economics. Georgetown University, 580 Intercultural Center, Washington DC 20057-1045, US. cumbyr@gu-

• Standard & Poor's, the credit ratings agency, reversed a downgrade of Indonesia's sovereign debt and raised its outlook. reports Reuters in Jakarta. The agency removed the

"selective default" rating and raised its outlook to "stable" from "negative". The earlier downgrade came as Indonesia rescheduled the maturity of Rp4.2bn worth of principal from a \$350m syndicated loan from 70 banks. Indonesia's long-term foreign currency sovereign credit rating was restored to a level that implied the country was "vulnerable to

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'Unexploited | US Treasury prices tumble | Warning to

BENCHMARK BONDS By John Labata in New York

US Treasury prices tumbled in early trading after the release of stronger than expected data on regional manufacturing.

European markets initially gained amid speculation of an interest cut by the European Central Bank before losing ground in line with Treasuries, but closed higher

on the day. The regionally-focused ket. The prices-paid compotion. The Chicago index is many seasonal factors.

followed by the National "The important thing is Survey of Purchasing Man- we're seeing job growth slow duced a sharp steepening of agers' report, due today. Analysts expect weak average," said Claude Per-

NAPM figures, which could bring buyers back to the market since a strong report is now priced in.

In midday trading the benchmark 30-year bond was down to 941, sending the for a rate cut by the ECB yield up to 5.653 per cent. The 10-year note was off 1/4 to 961, yielding 5.259 per cent and the two-year note was down & to 99%, yielding 4.991 per cent.

Tomorrow, US employment figures are published Chicago Purchasing Manag- for March, with the conseners index drove the US mar- sus suggesting payrolls 11.4 per cent to 11.5 per cent. should rise by 135,000. But nent was above 50, the report is regarded as suggesting stronger infla- unusual because of the

sico, at Dresdner, Kleinwort

Benson in New York. In Europe, the market firmed on more weak data out of France, which has further strengthened the case when it meets next week. The market was also helped by a credit ratings upgrading for Spain.

ures supported the sentiments of an earlier report by Insee, with a larger than expected rise in jobless from "Deceleration in France,"

said Luca Jellinek at Parihas, "opens up a window of opportunity for a cut."

Interest rate talk has proon a three-month moving the yield curve in recent days. The short end has remained firm, and forward rates suggest the market expects a 25 basis point cut.

There was little sign of aggressive discounting. which would, in any case, be ambitious, said Phyllis Reed at Barclays Capital.

The weakest part of the curve was the 10-year area. in part because of over-supply, said Jellinek, France French unemployment flgissues a €600m to €800m add-on to its 10-year OATi

> The 10-year benchmark German Bund futures contract settled up slightly at 114 while in the cash market the yield on the 10-year bund was lower at 3.98 per cent.

Saladian rain Japan's local governments

By Gillian Tett in Tokyo

Moody's, the US credit rating agency, warned yesterday that the financial position of some of Japan's local governments now appeared worse than the central government's due to their spiralling levels of

In particular, it argued that if the prefectures were given independent credit ratings for the first time they might not be as high as the Aal Moody's awards to Japanese government bonds.

Moody's has not committed itself to issuing specific ratings of local government debt but its warning is a sign that foreign investors and credit rating agencies are becoming alarmed about the risks posed by their financial position. Local government debt has not been rated, because investors ssumed it was protected by central government.

The warning comes as some senior financial officials are privately warning that the government may need to implement spending packages this year. "If we get to the autumn, and the data is still poor, then there will probably be more political pressure for spending packages," one official said.

attached to the Halifax However, further spending packages could push Japan's central and local debt to dangerously high levels. And though most Western investors have ignored the role played by local governments in the overall national debt burden, this is now changing amid signs that the local government situation is

Osaka, the two largest prefectures, for example, have admitted they will post budget deficits in fiscal 1998 for the first time in two decades. due to a sharp fall in

Other local governments are expected to reveal similar problems when they reveal their 1998 budget figures this summer.

Local governments in Japan have traditionally funded themselves through a mixture of local taxes, central government subsidies. and their own bond issues.

Moody's argues that this "strong role of government support" would mean that ratings of local governments would not diverge too far from the sovereign debt rating.

However, the problems are forcing local governments to issue more bonds. Moody's warned that outstanding local government debt was likely to rise from Y52,300bn in fiscal 1997, or 10.5 per cent of Japan's GDP, to Y60,700bn in fiscal 1998.

Also, since the regional hanks and life assurance companies that have traditionally bought local debt are now cutting back their own bond purchases, investors are focusing "increasingly on questions of credit risk and relative liquidity". warned Steven Hochman of Moody's.

John Higgins of Nomura Securities said: "There is growing concern about supply and demand. I don't think there is a risk of a default [of a local governmentl, but if the central government helps them, that just pushes the liability on In recent weeks Tokyo and to the central government.

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Enron makes debut in euros New international bond issues

By Restrand Benefit Enron, the US energy company, made its euro debut with a six-year €400m bond on a day dominated by floating rate notes.

Enron, a top-drawer name in the US, opted for a eurodenominated issue because of its increasing presence in

The company was easer to make first contact with European investors, but bankers said it would likely swap part of the debt into

Lehman Brothers, jointlead manager with Paribas, said the six-year issue was targeting strong demand in off-the-run maturities.

The bond, the first BBB rated corporate issue in euros, was priced to yield 90 basis points over the April 2005 OAT and traded at the reoffer price. "At first the pricing

eemed a bit tight," said one ary trading.

terday, with Halifax launching a 10-year \$500m subordinated FRN issue The bonds, which are callable after five years, were priced to yield 40 basis

banker, "But it is an uncom-

people are clearly buying it."

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Subordinated debt, which mon name in Europe and appears as lower tier two capital in banks' balance sheets, trades at a spread over more senior debt and has been in demand from specialist investors.

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"It is a way for banks to get capital in exchange for a pick-up in yield," said one

Bankers said the launch

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with add-ons to euro-denominated floating rate note ago. Both bonds were priced had been successful owing to to yield 30 basis points over the unusually high yield Ewibor.

demand for paper yielding

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points over Libor," said one.

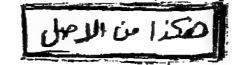
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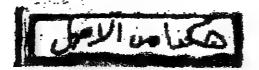
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Tel: -44 171 873 3349 Fax: +44 171 873 3064



TO

CURRENCIES & MONEY

*Goldilocks

Canadian rate cut surprises markets

MARKETS REPORT

The Canadian central bank

slipped a little on the news, but later recovered strongly to close unchanged against behind the rise. the US dollar. With Canadian inflation well under control and investor confidence seemingly returning quickly realised that this is what they had wanted all along.

The cut took the key bank rate from 5.25 per cent to 5 per cent. The loonie closed in-London against the US dollar at C\$1.513, unchanged from Tuesday's close.

The move enlivened an otherwise unexciting day in the currency markets, as traders in many centres seemed to have started the dollar reversed a weakening big wind-down towards pubtrend over the past few days.

unexpectedly relieved the those arguing that Kosovo intact. From around \$1.64 dullness of the pre-Easter was not the largest influence the pound has shed three trading yesterday by cutting on its recent weakness by cants in the last week and interest rates by 25 basis rallying against the dollar on Tuesday dipped below despite no apparent good \$1.61. The Canadian dollar news from the Balkans. But many said that profit-taking at the end of the month was move was almost totally

to the country, analysts tightening bias at its meet- move. ing on Tuesday. It closed at \$1.080 against

the euro, \$1.614 against the pound and Y118.4 against the yen. Sterling's rise against the

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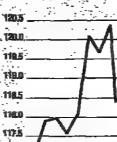
lic holidays at the end of the giving succour to those arguing that the \$1.60-1.70 range The euro struck a blow for against the dollar remains

■ The Bank of Canada's unexpected by the market, The US currency had a but despite an initial sell-off weaker day all round follow- in the Canadian dollar, curing the Federal Reserve's rency traders seemed unindecision not even to adopt a clined to be perturbed by the

> The timing of the move made it evident that the Bank of Canada was waiting to see if the US Federal Reserve raised rates on if the market thinks they are Tuesday, or announced a justified," said Ian Morris, blas to tightening, before proceeding with the cut.

Analysts said that the yield gap that still existed between Canadian and US interest rates meant that the Canadian dollar should not





117,0

"Many currencles have benefited recently from interest rate cuts, especially currency analyst at HSBC in London. "With core inflation below the Bank of Canada's 1-3 per cent target range, this one certainly looks reasonable."

Mr Morris added that the

seemed to have spread expected in dollar buying by across the border from the Japanese banks yesterday US, with the extremely pushed the US currency benign inflation picture down against the yen. being combined with above-

\$3bn of dollars to square fis-The cut in rates was unex- cal year-end books had pected largely because of caused the dollar to recent comments made by strengthen above Y120 in Gordon Thiessen, the Bank recent days. of Canada's governor, who "In the event the short-

ages were only about \$1hn," said that inflation was likely The Canadian monetary authorities have now fully unwound the 100 basis point August to restore investor. confidence in the sinking other way."

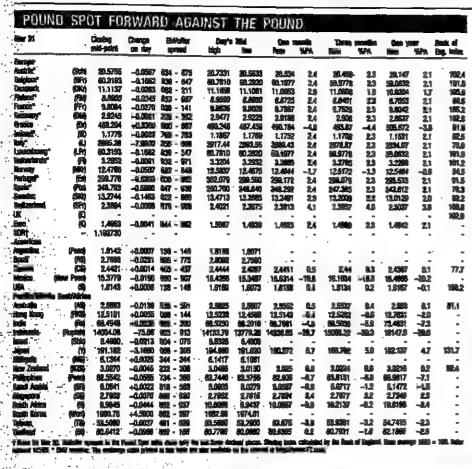
97/24 - 57/299 (5.527) - 36/19 980-657 - 381,077 (25.74) - 255,390 4644.0 - 4041.40 5000.89 - 3000.00 0.6820 - 0.6226 0.3060 - 0.3040 5.5270 - 53837 0.3590 - 2.340 8.6535 - 6.4640 0.3990 - 4.0099 46.2643 - 40.4667 24.9500 - 25.0505 5.0270 - 8.9013 1.6727 - 3.6721

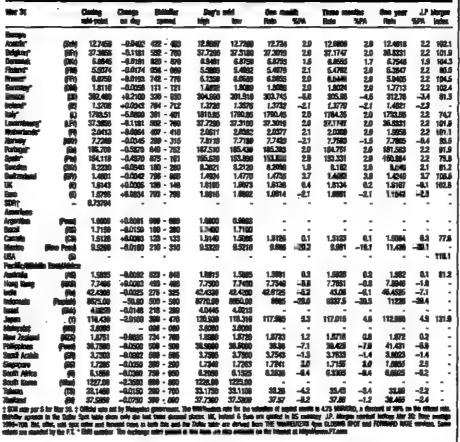
Stories that Japanese trend growth in the real banks had to buy around

> said Paul Chertkow, head of global currency research at the Bank of Tokyo-Mitsuhishi in London. "This surprised the market, causing it to turn around and go the Mr Chertkow said that the

> ven had held well around the Y120 level and that the Bank of Japan would be content with the way the fiscal year had ended. Recent rises in share prices would also improve the health of banking sector halance sheets and please the authorities. Mr Chertkow said.

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مج <u>ت ہے۔</u> عد	1,0110	1.8134	+6,0026	1.6148	1,6602	1,963	53.0
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Sep Desc	94.59 PORY BELL FL	MAIN MINES (2		180%			1,50

Pursuant to Clause 7(E) of the Trust Deed dated 23rd July, 1993 relating to the Bonds, notice is hereby given that: 1. Pursuant to the merger of Mitsubishi Oli Company, Limited (the "Company") into Nippon Oil Company, Limited which merger has become effective as of 1st April, 1999, the Bonds have become obligations of Nippon Oil Company, Limited, the surviving compa which is now known as Nippon Mitsubishi Oil Corporation; and 2. The Company has adjusted the Conversion Price (as defined in the Trust Deed) due to the merger. The Conversion Price has been adjusted from V999.8 per Share (as defined in the Trust Deed) to V1904.4 per Share. The adjustment of the Conversion Price has taken effect as of 1st April, 1999. By: The Bank of Tokyo-Mitsubishi, Limited as Principal Paying Agent 1st April, 1999

NOTICE TO THE HOLDERS OF

Mitsubishi Oil Company, Limited ¥30,000,000,090 2 per cent. Convertible Bonds due 2000

Notice of Adjustment of Conversion Price

RPS Residential Property Securities No.3 PLC £150,000,000 £5,000,000

Class A2 Notes Class B Notes Mortgage Backed Floating Rate Notes due 2025

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 29th March 1999 to 29th June 1999, the Class A2 Notes and Class 8 Notes will carry an interest rate of 5.555% and 6.585% per annum respectively. The interest payable per £100,000 Note will be £728.38 for the Class A2 Notes and £1,659.78 for the

GREENWICH NATWEST

NOTICE IS HEREBY GIVEN that this year's Annual General Meeting of Commerzbank AG will be held in Frankfurt am Main at the Jahrhunderthalle, Frankfurt am Main-Hoohst, Pitrifenwiese, on May 21, 1999, at 10.30 a.m.

AGENDA (abridged version)

1. Presentation of the Parent Bank's established Financial Statements and Management Report for the 1996 financial year, together with the Report of the Supervisory Board, presentation of the Pinancial Statements and Management Report of the Commerchank Group for the 1998 financial year.

Resolution on the appropriation of the distributable profit.

Approval of the actions of the Board of Managing Directors during the 1998 financial year.

Approval of the actions of the Supervisory Board during the 1998 financial year.
Exclusion of shareholders' right to be issued with share conflictes, and amendment of the Bank's statutes.

Commission, and amendment of the Despite Seamons to round the amount of share capital represented by each no-par-value share, and amendment of the Bank's statutes.

Authorisation for the Board of Managing Directors to increase the share capital (authorised capital increase), and amendment of the statutes.

amendment of the statutes.

Authorisation for the Board of Managing Directors to increase the share capital (authorised capital increase) — with the possibility of excluding subscription rights if contributions in kind are made — and amendment of the statutes.

Authorisation for the Board of Managing Directors to increase the share capital (authorised capital increase) — with the possibility of excluding subscription rights pursuant to Art. 188, (3), 4, German Stock Corporation Act -- and amendment of the

10. Authorisation for the Board of Managing Directors to issue convertible bonds, bonds with warrants, or profit-sharing certificates carrying conversion or option rights; and also resolution on a conditional increase of the Bank's share capital, and amendment of its statutes.

 Authorisation for the Bank to purchase its own shares pursuant to Art. 71, (1), 7, German Stock Corporation Act. 12. Authorisation for the Bank to purchase its own shares pursuant to Art. 71, (1), 8. German Stock Corporation Act.

13. Election of new members to the Supervisory Board.

14. Appointment of the Auditors for the 1999 financial year.

14. Appointment of the Auditors for the 1999 financial year. Sharholders in the United Kingdom who wish to attend and vote at the Annual General Meeting should inform either the London Branch of Commerzbank AG at 23 Austin Friars, London EC2N 2EN, or Warburg Dillon Read, 100 Liverpool Street, London EC2M 2RH, who will make the necessary arrangements. Such notice should be given by May 13, 1999. Copies of the German and English versions of Commerzbank's 1998 Annual Benort are available from both Commerzbank AG. 1998 Annuai Report are avaliable from both Commerzbank AG and Warburg Dillon Read.

COMMERCIANK AKTIENGESELLSCHAFT

The Nippon Credit Bank (Curação) Finance, N.V. U.S. \$500,000,000

Subordinated Floating Rate Gusranteed Notes 2000

nce with the terms and conditions of the Notes, notice i bereby given that the interest rate for the Interest Period from 31st Mauch, 1999 to 30th June, 1999 is 5.4625% per armum. The Compon Assume payable on the 30th June, 1999 in respect of each of U.S. \$10,000 in principal amount of each Note is U.S. \$138.08.

Company, London

Agent Bank

Position available.

COMPANIES COURT
IN THE MATTER OF
WATERSTONE'S BOOKSELLERS
LIDGTED
- andIN THE MATTER OF THE
COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that a
Relition was on the 16th day of March 1999
presented to her Majesty's High Court of
Justice for the confirmation of the reduction
of the share capital of the Company from
LIDGOOGOUS 1212, DIALOR:
AND NOTICE IS FURTHER GIVEN that AND NOTICE IS FURTHER CIVEN that the said Petition is directed to be braid before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on 21st April 1999. WCZA 2LL on 2 list April 1999.

ANY CREDITOR or obseshedder of the said Company desiring to repute the madeing of an Order for the confirmation of the said reduction of the said regular should appear at the time of the hearing to person or by Counsel for that perpose. A copy of the said Petition will be fundished to any such person or pagnings the same by the under mentioner solicitous on payment of the regulated charge for the same.

N THE HIGH COURT OF JUSTICE SHANCERY DIVISION COMPANIES COURT

PERSONAL

PUBLIC SPEAKING Training and speech writing by award winning speaker. First lesson free.

Tet (01727 861133)

DATED the 1st day of April 1999 Astura Monis Crisp Broadwalk House 5 Appeld Stress London BC2A 2HA 달: 017! 638 1111 Ref: SAW/195H00003(A) Solicitors for the said Company.

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Your Legal Notices Please Tontact Melanie Wiles on Telm #44 0171 873 3349 Fax 9 444 0171 873 3064

Gecamines investigates unauthorised cobalt sales Vietnam

By Paul Solman in London and Alexandra Nusbaum in Tokyo

Gecamines, the African mining group, is investigasales of its cobalt stocks by former agents in the wake of its marketing deal with MRG

Cobalt Sales. The January deal, appointing MRG as Gecamines' sole copper and cobalt marketing agent worldwide, sparked a prices to about \$18 a pound.

London-based MRG had agreement with ZCCM of Zambia, Together, ZCCM and Gecamines supply about ting suspected unauthorised one-third of the world's cobalt, the element that of cobalt metal," Ridgepointe gives blue glass its colour Development, the Zimbaand is used in super-alloys, bwean company that runs stocks until further notice. batteries and tyres.

> after news of the deal reached traders, stocks of cobalt claimed by Gecamines

into alleged irregularities in its previous commercial operations, including allegations of unauthorised sales Gecamines, said in a state-

comment yesterday. Democratic Republic of and decided to ignore Geca-Congo, told agents last Fri- mines' instructions.

"Gecamines is currently day it was ending their marthe appointment of MRG.

Gecamines' first communication with its agents since January, when it instructed them not to sell any cobalt could have been a fac-

But sources close to Mitsui It has now emerged that ment. Ridgepointe did not and Mitsubishi, which repreanswer requests for further sented Gecamines in Japan, said they had been under Gecamines, based in the pressure to supply cohalt

"The companies took the ble," a source close to Mitsu-tonnes of cobalt from Gecaalready secured a similar carrying out a full inquiry keting agreements following view that they owed more to bishi said yesterday, adding their customers than to that the company was Insiders said that was Gecamines." a trader said exploring legal action

yesterday. Another source suggested the rapid rise in the price of tor in the sales.

Mitsui and Mitsubishi declined to comment. "The termination of the marketing agreement was one-sided and without reason or reasonable compensa-

tion and therefore not possi-

against Gecamines for breach of contract.

Mitsubishi is thought still worth of cobalt inventory on hand. The source said that the company believed it had paid Gecamines for a portion of that inventory, and the title and risk belonged to Mitsubishi. The company

mines last year. Mitsui had worked with

Gecamines for 50 years, and last year bought more than 1.000 tonnes of cobalt from the African company's total supplies of 3.500 tonnes.

A trader said there were approximately 400 tonnes of cobalt in a warehouse in Yokohama or Osaka. He suggested that 300 tonnes could belong to Mitsui and 100 tonnes could belong to

bought about 600 to 700 Crude oil prices touch 10-month high

MARKETS REPORT

By Paul Solman

Crude oil prices rose to a to-month high yesterday in a further extension of the month-long rally that has added \$4 a barrel to the price of beliwether Brent blend.

In late trading on London's International Petroleum Exchange, the May Brent futures contract was quoted at \$15.05 a barrel, 24 cents up on Tuesday's close, before easing to \$14.89.

Although inventory figures from the US showed a rise in crude stocks over the past week, the markets reacted positively to a large draw-down of refined products stocks, such as gasoline and distillates.

Meanwhile, the IPE said resterday it had put on hold its merger negotiations with the New York Mercantile Exchange while it investigated an alternative plan that could see it part-owned

by European companies. The exchange has been in talks with Nymex since last separate discussions about converting to a limited comcent of its shares to Euro-

trigas. Nord Pool, the Scanand OM Group, which owns and the OM London deriva-

"The board feels we need to examine this proposal more carefully. In the circumstances, it is only fair to put our discussions with Nymex on hold until this new avenue has been thoroughly explored," said Lord Fraser, IPE chairman.

small respite from their recent downward trend, with London Exchange's flagship copper contract closing at \$1,398 tonne, up \$7 on the day. Aluminium and tin also managed gains, though nickel was weaker, closing down \$45 at \$4,830 a tonne.

Among soft commodities. May robusta coffee finished \$38 lower on the London Futures and Options Exchange at \$1,530 a tonne.

The IPE said it had held talks so far with French petroleum company Total, Belgian gas distributor Disdinavian electricity bourse, the Swedish stock exchange

tives exchange

Base metals managed a

plans tea export expansion

By Jonathan Birchall in Hanoi

Vietnam has approved an ambitious plan to expand the country's tea exports which, if successful, could triple exports by 2010.

Last year. Vietnam produced around 55,000 tonnes. of tea, of which 34,000 tonnes or over 60 per cent was exported, placing it in the ranks of the world's 10 largest tea producers.

However, a new plan drawn up by Vinatea, the state-owned tea development and marketing company, and approved by the prime minister, envisages expand-ing exports, mostly of black tea. to between 80,000 and 100,000 tonnes by 2010. . Domestic consumption of

green tea is expected to be running at around 45,000 tonnes a year, up from 22,000 tonnes this year.

The plans, however, will depend on the finance available. Cash-strapped Vinatea's biggest challenge will be finding the capital to finance new tea development by farmers in some of Vietnam's poorest areas.

In addition, apart from a handful of plants operated by joint ventures with foreign investors, its existing out-of-date and inefficient.

Nevertheless, Nguyen Kim Phong, Vinatea's general director, said the industry hopes to double existing productivity levels, from around 700,000 kg of dried buds per bectare annually, to around corporation is proposing expanding the area under tea cultivation in Vietnam's mountainous northern provinces, from 73,000 hectares to

100.000 hectares. Vletnam's tea output has jumped since the introduction of market reforms in the 1993, when just 21,000 tonnes

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East Timor pins hopes on organic growth from coffee

In its bid for independence from Indonesia, the island is banking on reviving its mountain plantations, writes Sander Thoenes

lesia later this year, its greatest hope for achieving economic self-reliance could

Farmers in the mountains, the cooler and more fertile part of the Timor island, are gearing up for a relatively good coffee harvest, fed by sufficient rain to make up for last year's drought.

Farming experts in East Timor expect a harvest of 8.000 to 10.000 tonnes of green beans, a hybrid of robusta and arabica that fetches up to \$2.5 a kilogram.

Other than an oil and gas field that is under exploration and has yet to prove its potential, there is little other than growing coffee to make up for the disappearance of Indonesian subsidies once East Timor gains its inde-

However the poor state of rejuctance among farmers to take measures to increase yields may be barriers to coffee becoming more than a meagre substitute.

Even now, only part of the crop is exported. And revenues would hardly feed

COMMODITIES PRICES

LONDON METAL EXCHANGE M. ALUMONIA, 99.7 PURITY (\$ per tonre)

BASE METALS

East Timor succeeds in 800,000 inhabitants even if breaking away from Indon- all that was produced was

> sold at world prices. growth, however, is based on are too steep, it would all current low yields, and optimists argue that it will not take much to boost the har-

"The heart of the agriculsays Chris May, a development specialist who wrote a report about East Timor's economic potential.

Independence activists assume coffee harvests could grow several times larger than their current level. Coffee experts, meanwhile, assume yields from productive patches could double in five years if plants were pruned and rehabilitated properly.

East Timor's best chances, Mr May and other say, lay not in massive plantations the coffee plantations and a but in high quality, organic coffee from the mountain

> A benevolent climate and brought decent harvests that do not require chemicals,

> > Precious Metals continued

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ATINUM HYNEX (50 Troy (C.; Stroy (C.)

M GOLD COMER (100 Troy oz.; Stroy oz.)

"It's forest coffee," Mr May says. "The soil is quite fertile. Fertilisers would have a The case for future negative effect. The slopes

wash away." The reality, however, is that most hillsides are de facto coffee forests rather than neat plantations, Low tural sector, in terms of prices set by an Indonesian export earnings, is coffee," trade monopoly, which is trade monopoly, which is tled to Indonesian generals have discouraged coffee farming.

> "If you tried to sell to anyone else you got arrested," recalls Antonio, a coffee farmer turned taxi driver who saw his harvest drop from 100 tonnes a year to 3 tonnes, on 35 hectares, "The income was not enough to live off, let alone replant and maintain the trees. Eventually our trees died."

arger plantations set up under Portuguese colonial rule fared even worse. Run mostly by the trade monopoly for 20 years, they have been abandoned volcanic deposits have and will simply be raided by villagers this year.

Medium-sized family plantations also withered as the the slopes and replacing old

GRAINS AND OIL SEEDS

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military, in search of rebels



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CONVENIENCE STATES

E COPPER OF LOCK LIVENING CONTAINS

MINTERIOR LIFE NO LIFES, STEER

or easy profits, raided and torched the coffee plants and scared away the workers.

Much of the growth in recent harvests has come from co-operatives, which teamed up with the National Co-operative Business Association, a US non-profit organisation. The joint venture started by purchasing 65 tonnes in 1995 but expects to buy 2,000 tonnes this year, about a quarter of the total.

It buys straight from the

hillsides, cleans and dries

the beans and sells them abroad. Profits are returned to the co-operatives. The NCBA has focused on improving processing and training farmers to improve yields by pruning, cleaning

trees. By getting its coffee

uncertified loads. Such prices are drawing some East Timorese back to coffee farming, although the NCBA says it is also running into a cultural gap in its

certified as organic, the joint

venture says it has been able

to sell for up to \$2.5 per kilo-

gramme, against \$1.7 for

attempts to boost yields with the financial incentive of higher prices. Some farmers, not caring to increase sales. actually respond by selling less and maintain the same level of earnings. "Farmers aren't driven to

maximise vields from the farm," said Anthony Marsh. adviser to the NCBA in East Timor. "It's a poverty trap. To get farmers to want to earn more from their coffee. that is the challenge."

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ACROSS

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CROSSWORD No.9.953 Set by ARMONIE

3 Hot rice to ferment (6) 5 Directed to accept a title 6 Countryman welcomes hard game (8) 7 Excavation, initially, under

new stand (6)

8 To economise, Frenchman is introduced to bonus shares (6) Judge returned hand tool 11 Change brought about an act of punishment (7)
14 Punish favourite dog (7) 17 Misshapen creature on a household plant (8) 18 Puppets dance in uncle's

19 An artist, he twirls giddily Navy getting surgical 22 Burial site produces local argument (6) The laundry happened to 23 Type of bullet fashioned

get hot (4) crater (6)
Put a stop to a Republican 24 Corrupt umpire is troubled Solution 9,952

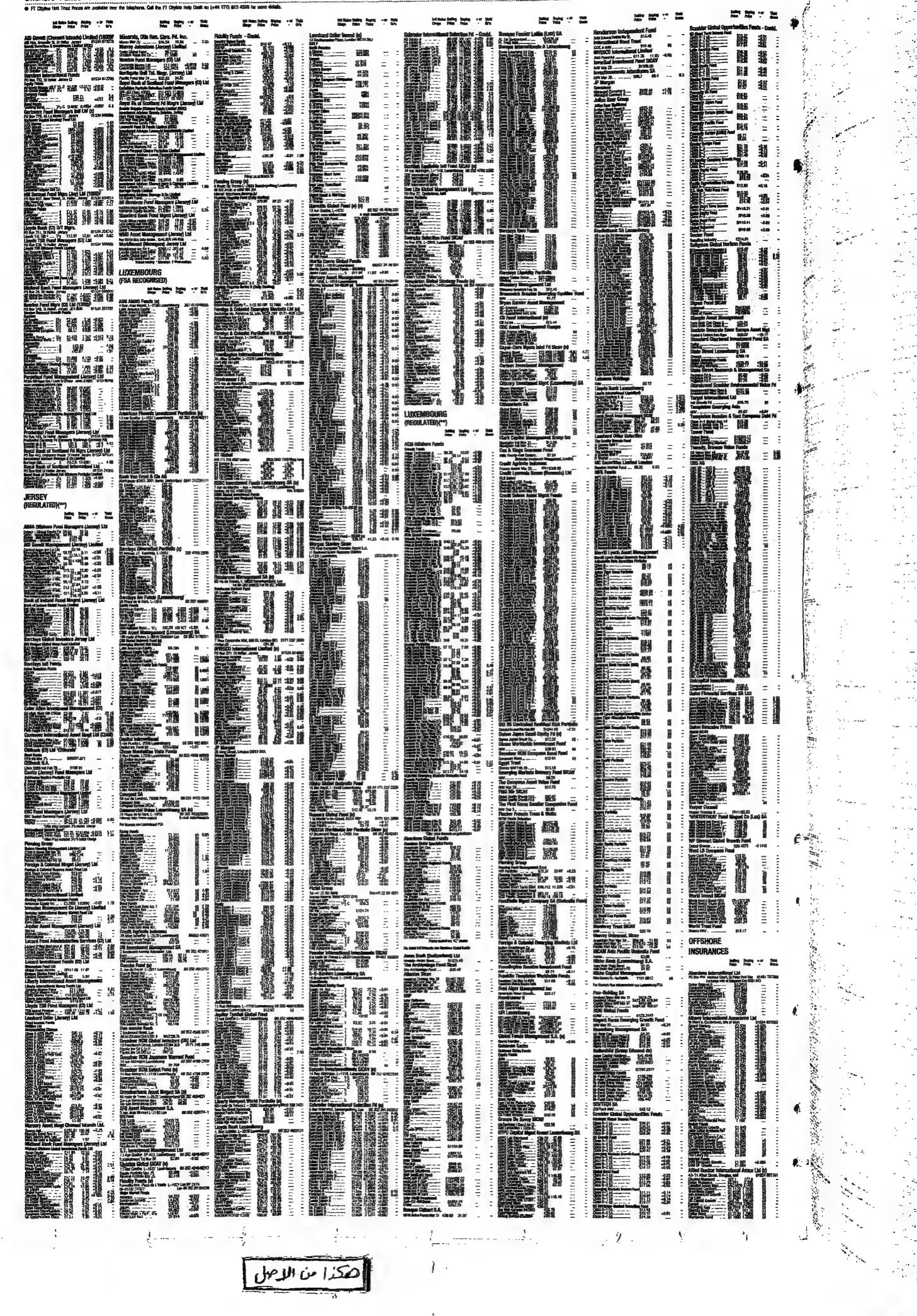
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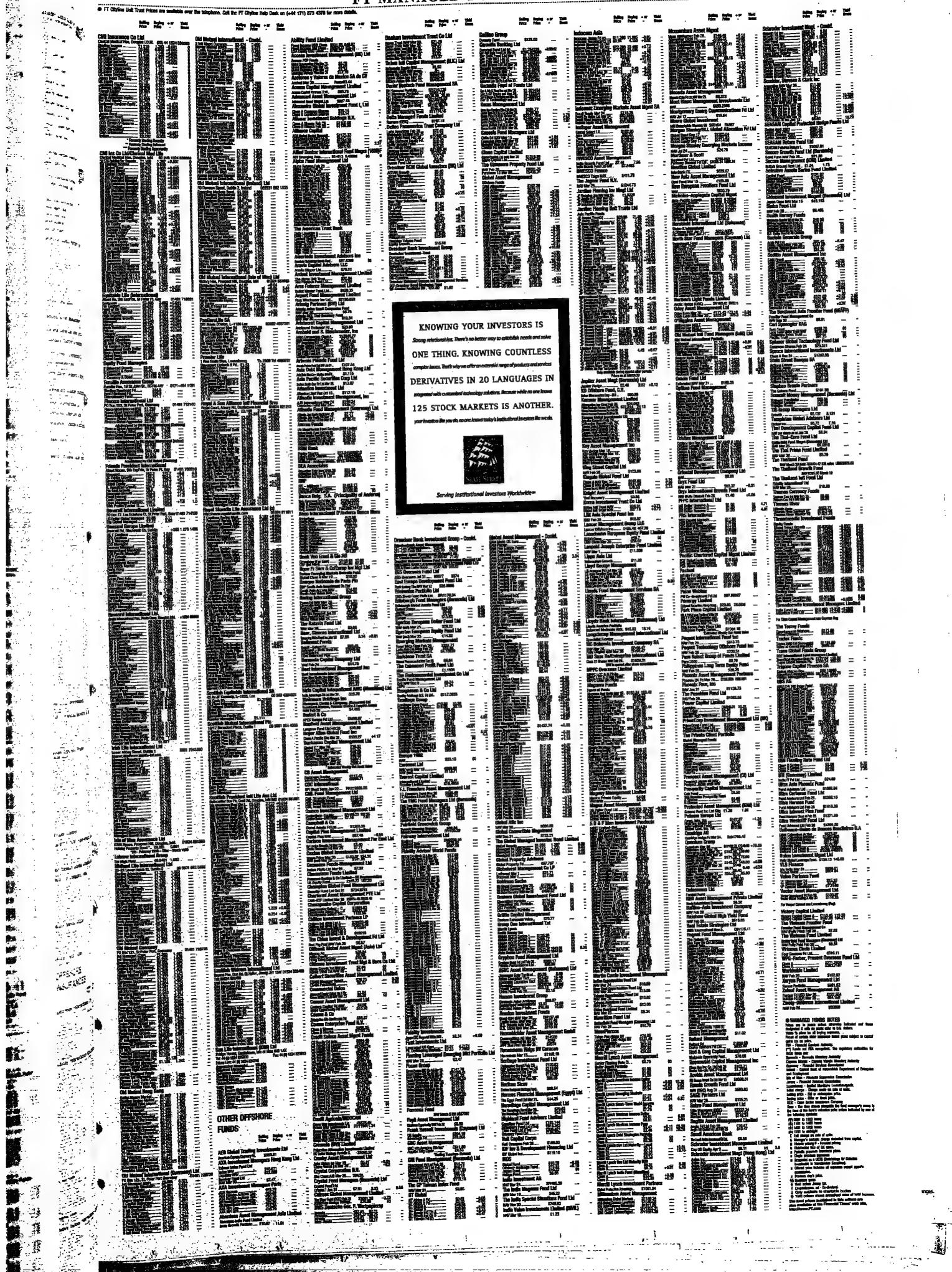
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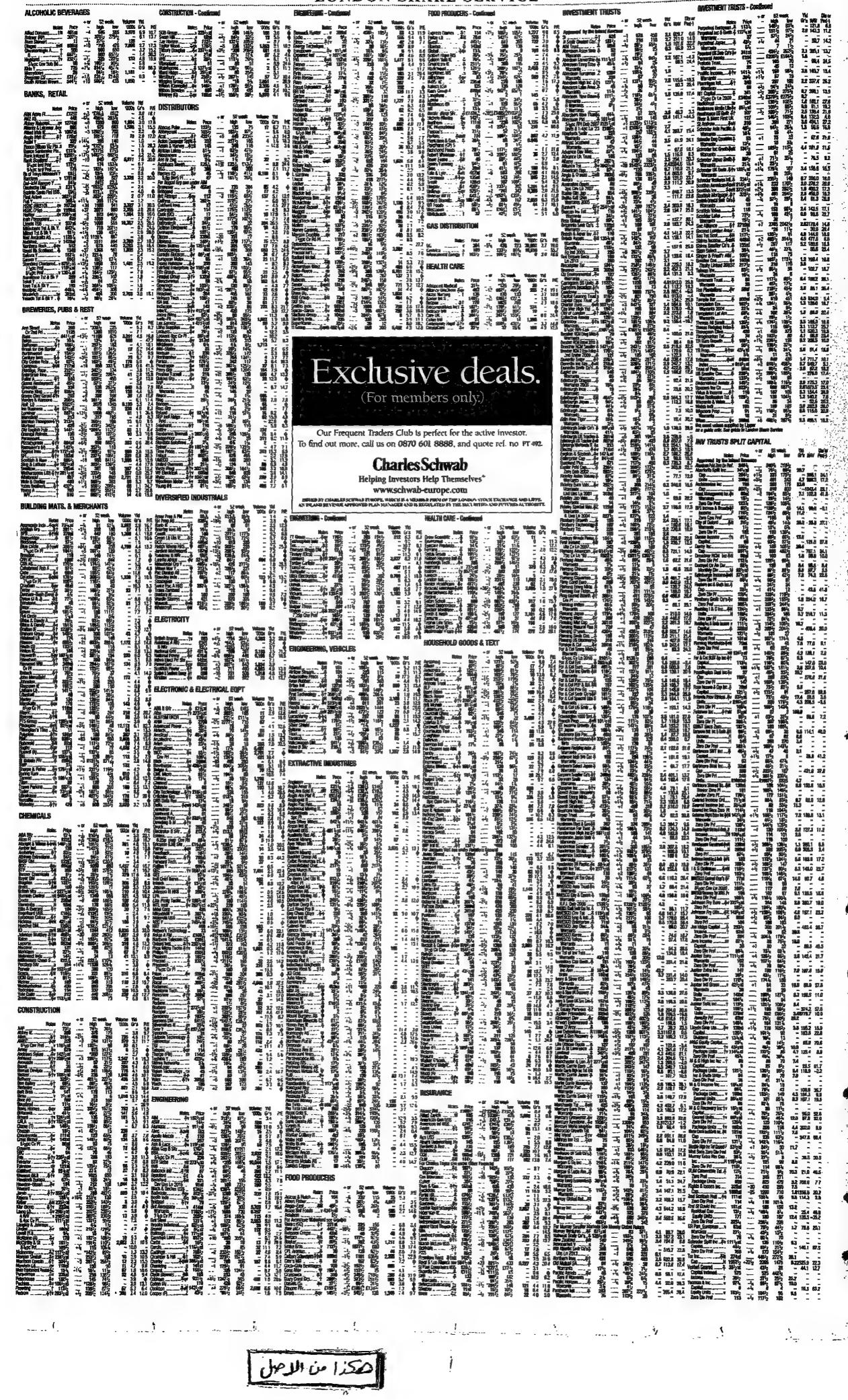
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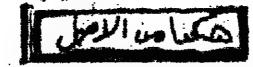
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FINANCIAL TIMES THURSDAY APRIL 1/FRIDAY APRIL 2 1999 LONDON SHARE SERVICE Imagine this page updated before your eyes. devoted to making the most up-to-date financial information available to you. One visit could make all the difference to your portfolio. www.iii.co.uk The second services of the second second services of the second second services of the second seco The state of the s 関係のようか。自然のでは、「は、「は、「は、「は、「は、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、」」と、「は、「は、」」と、「は、」」、「は、」 Volume VM:
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36

Footsie misses out on records after strong attack

MARKET REPORT By Steve Thompson,

UK Stock Market Editor Buyers returned in force to London's equity market yesterday, the last trading session of the first quarter, shrugging off concerns about Tuesday's hesitant performance and Wall Street's set to push through its near three-figure fall over- intra-day high of 6,365.4.

launched a determined mark, only to run into flurassault on its intra-day and ries of profit-taking and genclosing highs, but ultimately missed out on both, finishing than expected Chicago purthe session 31.2 ahead at chasing managers' survey

chip benchmark extended its consecutive gains to five days, over which it has risen 278.6 points, or 4.6 per cent. During the quarter, it gained 7 per cent.

Shortly after Wall Street on hold and a growing feelopened, the Footsie index was at its best, up more than 88 points and looking The Dow made rapid prog-

The FTSE 100 index ress towards the 10,000 eral selling after a stronger-

bring interest rate cuts in the UK and in the euro-zone. Decisions from the Bank of England's monetary policy Central Bank are both expec-

ted on Thursday April 8. Adding to the general feelgood factor in London was the prospect of more bids and mergers and expecta-

Behind the market's ear-

lier powerful showing was Takeover stories fizzed relief that the US Federal Reserve's open market comacross the market, with mittee had left interest rates pharmaceutical stocks again being chased higher amid ing that next week could strong speculation that downgrades after its take-Glaxo Wellcome will tie up another big deal.

"If it hadn't been for the marked weakness of BAT ranking FTSE indices did committee and the European and Ladbroke, I think the not fare as well. Footsie would have made a

BAT shares were hurt by

Best and worst performing FTSE sectors

6.295.3. However, the blue- that upset the US bond mar- tions of an influx of new the big slide in Philip Morris money into the market shares on Wall Street ahead of the end of the tax overnight after the group lost a US court case

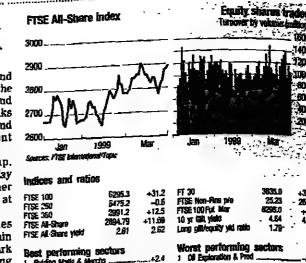
> Ladbroke was unsettled by a bandful of earnings over of Stakis and the Stanley Leisure profits warning. The second and third

The FTSE 250 ended the much more determined chal- day a disappointing 0.6 lenge to its intra-day points lower at 5,475.2 as record," a marketmaker institutional investors concentrated their firepower on market leaders.

Sentiment in the second liners was also dented by the Stanley Leisure news, and the failure of merger talks involving a lung cancer between Enterprise Oil and Lasmo, both prominent FTSE 250 constituents.

The FTSE SmallCap. meanwhile, finished the day a respectable but rather sedate 3.5 points higher at 2,398.4.

Turnover in equities remained encouraging, again topping the 1bn shares mark and eventually reaching 1.06bn shares, with non-FTSE 100 shares accounting for about 54 per cent of the



Earnings fears hit Ladbroke

COMPANIES REPORT By Joel Kibazo, Peter John ami Warfin Driz

hand in Ladbroke Group, sending the shares sliding. By the end of the session. they had surrendered 16 or 5.4 per cent to 2831/4p, the worst performer in the FTSE 100 and one of the day's busiest Footsie trades with turnover of 22m.

Having emerged from a period of purdah as the UK leisure and gaming stock completed its acquisition of Stakis, dealers said the company was offering more information.

However, those who have spoken to senior manage ment are unimpressed with the earnings outlook.

Although the integration of Stakis is expected to improve profits by about £33m to £330m this year and by about £50m to £390m next year, analysts said earnings per share are likely to remain at about 18.5p this year and 20.5p the following

"This was an acquisition that was supposed to bring an improvement in earnings and that is unlikely to happen so there is disappointment on that front," a broker said. Analysts blamed a

higher than expected interest charge for the lower than anticipated eps growth.

Sentiment in Ladbroke. soon to change its name to Hilton Group, was also hit by a profit warning from casino and betting shop owner Stanley Leisure related to its racing division. Stanley Leisure shares tumbled 221/4 to 275p, the worst performer in the FTSE 250. Earlier this week Capital Corporation, 11/2 better at

an increased £86.4m offer from Stanley Leisure. Increasing pressure on tobacco companies in the US impacted on BAT and sent

3802.9 3827.8 3814.4 3822.1 3831.3 3844.8

895 1,373

82½p, reluctantly accepted

the group's shares down 241/2 to 5161/ap. An Oregon jury ordered

cigarette maker Philip Morris to pay a record \$81m to the family of a retired custodian who died of lung cancer in 1997 after smoking Marlboros for 42 years. The award was the largest

against a tobacco company in an individual smoker's suit. It follows the ruling by a California jury, which hit Philip Morris with a \$51.5m judgment in a similar suit. Sentiment was further hit by news that Australia's competition watchdog had

said BAT's proposed merger

with Rothmans Interna-

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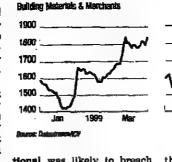
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tional was likely to breach there was no reason why merger provisions of the Trade Practices Act.

tained his 640p target and "outperform" rating on BAT but said the shares were likely to be "volatile following these developments."

Lasmo lower

The failure of the longrunning merger talks with Enterprise was still fresh Lasmo was already losing friends.

The share price of the jilted exploration and proper cent as the market fretted about its future.

HSBC Securities reduced its recommendation from "hold" to "reduce". Analyst Neil Perry said:

"The shares have had a believed the story. Wolseley strong run on merger potential and the rising oil price. But as an independent company its prospects are not so attractive. There also was a feeling

that Lasmo has had several months to attract a potential bidder and if nothing emerged during that time

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Class A2 Notes Mortgage Backed Floating Rate Notes

Notice is hereby given that there will be a principal repayment of £1,508.75 per £100,000 Note pursuant to Clauses (5b) of the Notes on the interest payment date £2th April 1999. The principal amount outstanding on £3th April 1999 will therefore be £91,915 per Note.

GREENWICH NATWEST

04 Exploration & Production

anyone would bid now. The shares, which bad Michael Smith of Morgan started to slip before it Stanley Dean Witter main- announced late on Tuesday that the deal with Enterprise was off, shed another 814 to 125'ap. Enterprise dropped

10' to 356' p. The prospect of a bid for Pilkington prompted a surge In its stock, which gained 4.4 per cent or 31 to 821/2p after rumours that St Gobain of France or Wolseley in the UK might be tempted to

However, there were suggestions that any move by St Gobain could run into duction stock headed down 6 monopoly problems in Europe. Furthermore, the large gap between the 100p, at which the bid was mooted to be coming and the closing price suggested not everyone in the dealing rooms

> was up 8 at 470p. Investors have been expecting a bounce in Pilkington for some time following a prolonged period of underperformance, and only this week US value investor Franklin Resources bought a line of 1.4m shares. BG was up at 371p in early

trading as SBC Warburg Dilion Read raised its share price target from 390p to 420p and said there was the potential to go to 475p. The broker cited returns

from a special dividend and the potential the company has to extract value from BG ting, the demerger of competitive businesses and the sale of a regional distribution business. However, the shares fell in late trading to end 5¼ down at 364p.

Retail motor trade group Ryland was up 17 per cent. or 12 at 821-p. after it announced the sale of 75 per cent of its car leasing business for £18.8m. The deal values the business, which accounts for 20 per cent of Ryland's total turnover, at £25m. This was a 25 per cent premium to Ryland's entire market capitalisation before the deal was announced. highlighting the discounts at which smaller companies trade to their net assets.

Speculation about impending corporate activity at Colt Telecom combined with reports of US buying interest to lift the shares 100 or nearly 10 per cent to £11.16. Volume was 2.6m.

Energis was also in demand and the shares appreciated 116 to £17.62.

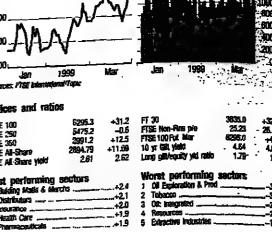
Strong two-way business in Signet Group, which reported a decline in profits this week, brought turnover of 47m to make it the most actively traded individual stock. The shares hardened to 48p.

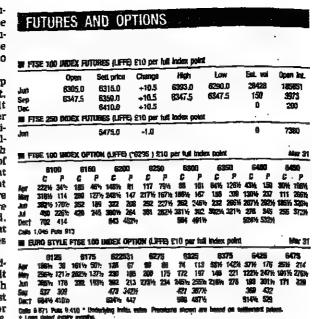
There was vague talk of corporate activity at tour operator Airtours. The shares eased 6 to 455p.

Granada Group was in demand, the shares gaining 24 to £12.55 after ABN Amro. one of the company's brokers, highlighted the attractions of the stock in a strategic review from the broker. Compass Group was said

to be making presentations to investment institutions. rising 18 to 717p.

Property companies moved into the spotlight as Probus Estates achieved the best performance in the market as it announced a disposal to allow it to invest in its Aviemore leisure development in





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No. 12 will be U.S. \$127.08 per
U.S. \$5,000 Note and U.S. \$2,541.60
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International and E&P as Scotland. The shares gained well as TransCo via cost cut- 11/2 or 43 per cent to 5p. FTSL Actuaries Share Indices 976 Votes Nor 30

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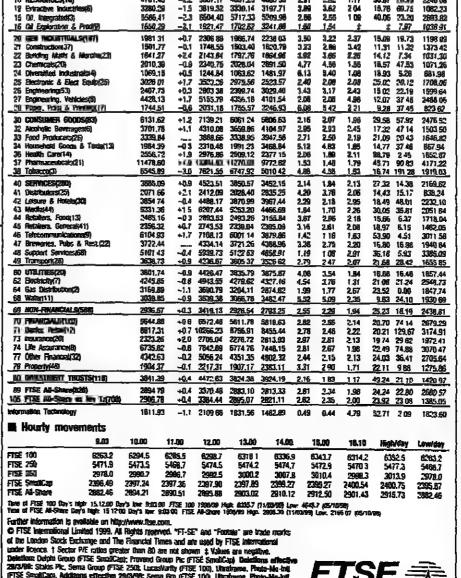
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	Mir 31	algaris.	Vides	Mar 30	MED	PROFILE	THE TO	COVER	THE C	700	Return
FTRE 100	B295.3	+0.5	7329 B	6254.1	6017.5	2.45	2.20	1.95	26.06	30,16	2810.09
FTSE 200	5475.2	- Total	6374.B	5475.8	5034.8	3,18	2.88	2.05	19.15	42.37	2400.84
打狂 250 ex lat Tr	5524.0	-0.1	6431.7	5528,4	5577 4	3.31	3.01	2.12	17.86	43.83	34371.03
FTSE 350	2991.2	+0,4	3482.7	2878.7	23,61.5	2.57	2.11	1.97	24.65	23.73	2729.11
FIRE 290 ex law Tr	2999.2	+0.4	1400	2986.6	200	2.58	2.32	1.98	24.45	23.96	1403.75
PTSE 350 Higher Yold	3000		3328.2	2858.8	2862.5	3.48	2.10	1.84	19.61	311	2343.96
FTSE 350 Lower Yield	3125 4	+0.9	3639.0	3098.8	3928.6	1.64	1.51	2.25	33.75	18.65	2302.45
FTSE SmallCap	2389.48	+0.1	2794,24	2395 36	3 H 58	3.40	2,94	2.07	17.79	16.10	2134.51
FISE SmallCap on hw Tr	2371.72	+0.1	2761,45	2369.23	2631.33	3.81	3.13	2.19	16.B4	16.19 22.80	2133.70
FTSE AR-Share	2894.79 2905.78	+0.4	3370.48 3384 44	2883,10 2895,07	2813.33 2821.11	2.81 2.62	2,34 2,35	1.98 2.00	34.24 23.92	23.0k	2980.57 1385.05
PTSE AU-Shure ex inv Tr PTSE Twentymy	2005-74 1301-80	+0,4 -0.1	1515,76	1302.61	1409.88	3.59	3.04	1.33	30:12	7.42	1474.65
FISE Rediction on her Tr	1204.83	-0.2	1630.89	1316.97	1429.88	4 09	3.47	1.37	22.27	8.12	1605A1
FTSE All-Small	1358.11	+0.1	1581,29	1358.77	1485.79	344	2.95	1.90	79.06	3.52	1541.60
FTG2 AD-Stand on loss To	1368.01	+0.1	1502.01	1387,31	1511.41	1.70	3.20	2.01	16.62	0.18	1565.02
FTSE AME	865.8	+0.1	1009,3	866.1	1088.4	1.27	1 08	36.001	0.12	2.26	808.27
FTSE Actuaries Industry	Sectors										
	E Sig	Day's	N.SE	(Só)	That	Greet	Net	Med	7/6	Ad adl	Total
	War 31	chate.	indo	Mar 30	200	year.	100	1044	File	780	Repairs
10 RESOURCES(18)	4781,45	-22	9867,17	4891,25	4680 33	2.91	262	1.17	35.67	00.99	2246 08
12 Extractive industries(6)	3280.39	-15	3819.32	3330.14	3197.71	3.89	3.62	2 04	15.78	69.75	1082,23
15 OV, Integrated(3)	5586,41	-23	6504.40	5717.33	5209.98	2.68	2.55	1 09	49.06	23.20	2693.82
16 Oil Exploration & Prod(9)	1650,29	-3.1	1921,47	1702.52	3241,88	1.50	134		- #	7.97	1038 91
20 IES NOUSTRULS(187)	1981 31	+0.7	2306 88	1965,74	2236 63	3.50	3,22	2.37	15.09	19.73	1198 09
27 Construction(37)	1501,77	-0.1	1748.55	1503,40	1620.79	3.23	2.86	3.42	11,31	11.32	1373 42
22 Building Mails & Morchis(23)	1641.27	+24	2143.64	1797.76	1864.96	3.92	1.66	2.25	14,12	7.34	1031,30
23 Chemicals(20)	2010,39	-0.9	2340.75	2028.04	2891.50	4.77	4.56	1.55	18,57	47.53	1071.26
24 Olversified industrials(4)	1069.15	+0.5	1244.84	1063.62	1481.97	6.13	9.40	1.08	18.93	5.28	681.98
25 Dectronic & Elect Stulip(25)	3028 01	+1.7	3527.26	2975,56	2523.57	2.40	2.00	2.08	25.00	20.12	1708.06
26 Engineering(53) 27 Engineering, Vehicles(6)	2407.73 4428.13	+0.3	2903 38 5155.79	2399.74 4356.18	3029.40 4101.54	3.43 2.08	3,17	2.43 4.98	15 02 12.07	22.19 37 45	1599.64 2488.05
2) Pope, Post & Printing(17)	1744.51	-0.6	2031.18	1755.57	2246.93	5.08	5 42	2 21	9.28	37 45	823 62
30 CONSIDER GOODS/83)	6131.62	+1.2	7139.21	5061 24	5806.63	2.16	2.07	1.96	29.58	57.97	
32 Acoholic Beverages(6)	3701.78	+1,1	4310.08	3659.86	4164.97	2.95	2.93	2.45	17.32	47 14	2476 52 1503 50
33 Food Producers(26)	3339.84	70,1	3888.66	3338.95	3947,58	2.71	2.50	2,19	21.09	20 43	1646.82
34 Household Goods & Texter(13)	1984.39	-03	2310.48	1991.23	3468.84	5.12	4.83	1.85	14.77	37.46	867.94
36 Health Care(14)	2556,72	+1.9	2976.86	2509.12	2377 15	2.06	1.89	2.11	28,79	2 45	1652.87
37 Pharmaceuticals(21)	11478,60		(XXIII.E)		9772.62	1.53	1.48	1,79	45.73	90 83	4171,22
38 Tobacco(3)	6545.89	-3.0	7621,55	6747.92	5010 42	4.88	4.55	1.53	16.74	191 28	1919.03
40 SERVICES(200)	3885.09	+5.9	4523.51	3850.57	3452.15	2.14	1.84	2.13	27.32	14.38	2169.62
41 Distributors(25)	2071 66	+21	2412.09	3028,40	2835.25	4.20	3.76	2.06	14,43	75.17	B38,24
42 Leisure & Hotels(30)	3854 74	-0.4	4488.17	3870.99	3967.44	2.29	2.18	2.95		48.01	2232,10
43 Media(44)	5331.36	+15	6207,44	5253.20	4466.69	1,84	1.70	2.26	30.05	35.81	2051 64
44 Retaiters, Food;13) 45 Retaiters, General(41)	2485.16 2356.32	-03 46.7	2893.53 2743.53	2493.26 2339.04	3155.84 2395.09	3.67 3.16	2.96	2.18	15.66	6.37	3718.04
45 Telecommunications(9)	6104.93	+1.7	7108.13	2339JU4 6001 14	3879.86	1.42	2,61 7 16	2.08 1.63	18.97 53.90	6.15 4.51	1462.05 3071.58
47 Brewaries, Pubs & Rest (22)	3722.44	41,1	4334.14	3721.26	4388.96	3.38	2.75	2.20	15,80	16.98	1940 64
48 Support Services#68)	5101 43	-34	5939.73	5132 53	4858.91	1.19	1.08	291	35.18	5.93	3385.09
49 Transport(28)	2638.73	+0.9	4236.67	3605 37	3526 62	2.79	2 47	2.07	83.12	28.42	1655 85
60 UTILITIES(20)	3601.74	~0.9	4426.47	3835.79	3875.87	4.08	3.54	1.84	16.68	16.48	1857,44
62 Bedsicity(7)	4245.85	-08	4943.55	4279.62	4327.16	4.54	176	1.31	21.06	21.24	2549.73
64 Gas Distribution(2)	3169,89	~1.1	3690.79	3204,11	2874.62	1.99	1.77	2.57	23.52	0.00	1847,74
68 Water(11)	3039.B5	~0.9	3539.38	3066,78	3482.47	5.52	5.09	2.35	9.63	24.10	1930 69
69 HON-PRIANCIALS(588)	2936,57	+0.3	3419.13	2926.54	2793.25	255	2.29	1.94	25.23	18.19	2438,81
70 FMARGALIRUDI	5644.88	+00	5572.48	5611.78	5818,63	2.82	2.55	2.14		74 14	2679.29
7) Backs Petal(12)	6817.31		10255.23	8756.91	8455.44	2.78	2.48	2.22		129,67	3174.91
73 insurance(20)	2323.26	+20	2705.04	2276.72	2813.93	2.97	2.81	213		29 62	1972.41
74 Life Assurance(8)	6735.82	-0.6	7842.69	6774.76	7448.15	2.81	2.67	1.98	22.49	74.88	3070 47
77 Other Financial(32)	4342.63	-0.2	5056.24	4351.35	4802.32	244	2.15	2.13	24.03	35.41	2705.64



Someth Power Securities Securitie

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Hanwha Chemical Corporation

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To the holders of the out U.S.\$56,000,000

Hanwha Chemical Corporation

NOTICE IS HEREBY GIVEN to the holders of the Bonds that a Rights [24,000,000 common shares] and free destribution of shares [12,243,900 common shares and \$50,000 non-search; shares) were sutherized by the resolutions of the board of freedom of the company shares and February, 1999. The record date for the Raise bases was 27th February, 1999. The record date for the Raise bases was 27th February, 1999. The record date for the free distribution was 2nd April. Jame van Alm Perspart, 1999. The record user to the Treet Deed constructing the Bonds, the conversion price in the bonds has been adjusted as a result of the Right base from Wort II A38 n. Won I 0.656 officerive from B8th Februar, 1999 (the day after the record date for the Right) have 3 and the conversion price of the Bonds has been adjusted as a result of the free state from Won I 0.656 to Won 9,760 officerive from InJ April, 1999 (the

THE FIRST MEXICO INCOME FUND N.V. Incorporated in the Netherlands Antilles

NOTICE OF DIVIDEND

ers are informed of a dividend of USS0.40 per share of Common Stock to holders of record as of March 31, 1999; the and date with respect to such payment being March 26, 1999. The dividend will be paid on April 15, 1999. Payment of the dividend on the beater shares will be made against surrender of coupon No. 35 detached from the share certificates which for this purpose shall be

> MEESPIERSON N.V. Rokin 55 1012 KK Amsterdam The Netherlands

which acts as Paying Agent on behalf of the undersigned. March 26, 1999

MEESPIERSON TRUST (CURAÇÃO) N.V.

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Highs & Lows shown on a 52 week basis WORLD STOCK MARKETS		-
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Figure 4 Loren (France) and 1 St. Over Line	9.15 + 25 23, 5.25 25 25 25 41 + 5 416 27 5 25 1 + 3 426 15 17.9 + 3 25 127 256 25 25 25 16.9 - 5 25 11.5	
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155 在古禮 斯特雅 用去暗的 有日 古经有州 人名英克雷特地名英国英格兰特人姓氏西哥的昵称语言的变形的 خالات المائية 不是由于他们,我们是我们是我们是我们的人,我们们就是我们的人,我们就是我们的我们的,我们们是我们的人,我们们是我们的人,我们们是我们的人,我们们们的人,我们们们们们们们们们们们们们们们们们们们们们们们 こうしかないしゅうしゅうなんしゅんこうなんなん こうちんしゅうしょう · H -Ann and Thicky and a second and 28 R.J. Comp a S. ROCCIONED 2012 Research 1912 Research 1914 Research 1914 Republicant 1914 44 27 116 24 27 116 19 1854 22 16 457 13 48 1101 84 27 475 98 668 68 12 3125 41 12 17988 本本を言いるという 我也是是其中的人也不是你有我也是我也是 十二十二十五十五十五 540 11 10 546 114 57 25 25 25 25 16 25 16 25 16 25 16 25 16 25 16 25 17 11 10 18 25 30 10 100 24 100 132 20 36 15 1947 17 19 88 12 17 18 62 22 17 200 14 18 200 14 18 200 14 18 200 14 18 200 14 18 200 B²g Roman 29²g RDedd 13 Aprille²g 12³g RPM Inc. 15 Residence 18 Residence 18 Residence 14 Residence 14 Residence 14 Residence 14 Residence 14 Residence 15 Aprille Residence 16 April Residence 16 **南新加州市新斯斯氏地** 日本のなるのでは 日本のでは、日 Selection of the select **新城市的设施的价值代表的** 1.F 1.49 1.22 0.45 0.55 0.55 0.57 0.57 54% 25% W Cp 14°s Substitute Succession 11°s State Substitute Substitute 25°s Substitute Substitute 25°s Substitute Substitute 25°s Substitute Substitute 16°s S 大學者就是在一個在在一個有一個人的人的人的人的人的人的人的人 - 8 -## 17 17 47 11 47 194 C. And P. C. 以中国的企业,在中国的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,是一个企业的企业,但是一个企业,但是一个企业的企业,但是一个企业,但 他是是我们的是我们,我们也是我们是我们的人,我们就是这个人,我们是我们的人,我们是我们的人,我们是我们的人,我们们也会会是我们的人,我们们们的人,我们们们们们的人,我们 大學也是我一個人都不是一 我就是我們也是我們不能說你不是我的 的人名英格兰人名英格兰人名 25-1, 25-2, White led 1982 72-4, White led 1982 72-- N -17. AC WILL COMPANY OF THE PROPERTY OF THE PRO 好一方心 丹野性情况 大大百 を言る - E -15 EX. NO 105 EX. NO 105 EX. SALE 15 EX. SALE 15 EX. SALE 15 EX. SALE 16 EX. SALE 16 EX. SALE 17 EX. SALE 17 EX. SALE 18 EX. 中で はずに かる 1.0 | 15 | 2701 | 154 | 154 |
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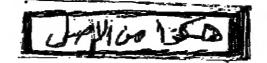
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Equities buoyant over possible rate cut

A combination of the lack of action by the US Federal Reserve and hopes that the European Central Bank may soon cut rates allowed Passover. equity markets to end the first quarter on a reasonably in French unemployment buoyant note, writes Philip

Few expected the Fed to raise rates but there were some fears that it might at its April 8 meeting.

tion mark over the markets before the holiday weekend. As well as Easter, trading is expected to be light on Wall Street today because of

In Europe, a surprise rise raised hopes that, given recent weak data from the German economy, the ECB would be forced to cut rates

Global markets, as meaicv. Its failure to do so sured by the FT/S&P World

removed the last major ques- index, rose less than 4 per cent during the first quarter. a healthy pace in historical terms but nothing special by

> The US and Japan outperformed the rest of the world, but Europe was a severe laggard, falling more than 2 per

The robust nature of the US economy kept Wall Street motoring along, while tentative signs of a recovery in Japan spurred foreign were overweight the eurobuying of the Tokyo market. zone and underweight also incurred a double-digit neighbour.

higher at 4.865.27.

€27 to €497.

strongly on news of healthy

first-quarter sales, jumping

Motors were mixed. BMW

€587 as analysts came away

from the group's trading

update meeting in a grim

1,258.89. See Euro Prices page.

mood. The shares, held back

lately by concerns over the

the Rover offshoot in the

UK, ended off €27.20 at €606

amid widespread talk of bro-

Volkswagen shed 25 cents

to €61.20 in spite of an

upgrade to "outperformer"

from "market performer" by

WestLB. An upbeat trading

statement from Daimler-

Chrysler at the merged

group's first annual confer-

ence sent the shares up 77

broad rally for the telecoms

sector, adding €2.60 at €117

improved 83 cents to €37.75.

Viag. a volatile market lately

on acquisition uncertainty,

Continental shot up €23.50

on rumours that Hubertus

von Gruenberg was to step

down as chief executive.

News of his resignation came at midsession and by

the close the shares had

lapsed back to €22.90, up 40

came off €10.50 at €503.

on a results statement.

Mannesmann shared in a

Telekom

cents to €80.55.

Deutsche

FTSE Euratop 300 index

But European economies stayed fairly sluggish, particularly in Germany, and the first quarter for the new single currency, the euro, was

one of almost unrelenting been reluctant to chase Wall David Bowers, European Street, so when they bought Japan on the recovery story, equity strategist at Merrill Lynch, said: "Japan has been partly responsible for European underperformance. At the start of the

Preussag leads Frankfurt higher

they had to sell Europe." Some of the smaller eurozone countries, such as Denmark, Belgium and Portugal, quarter. US fund managers have suffered the worst. But

on in-line results but a cau-

Publishers were active.

VNU adding €1.25 at €36.10

and Elsevier 45 cents at

€13.80. Early spring weather

in Europe plus broker opti-mism helped to lift Heineken

ZURICH moved swiftly

ahead towards the close in

response to Wall Street's

firm opening and a strong

dollar. The SMI index fin-

ished 106.1 higher at 7.130.2.

gainers. Nestle put on SFr44

at SFr2.689 as BankSarasin

upgraded the stock.

Among the day's main

A SFr17 rise in Swisscom

to SFr578 was in line with its

international peer group.

The group's chairman Tony

Reis was reported as saying

he was prepared to pay more

for Germany's RWE/Vebate-

lecommunications venture

Otelo than the SFr2.2bn from

EMS-Chemie closed up

ued market rumours that it Gimbel and Peter Hall

SFr80 at SFr7,320 on contin-

70 cents to €46.70.

tious outlook.

months they have been has produced two of the dragged into changing their world's best five performers - Greece, which was seen as pean fund managers have talthough its bull run has in the booming market of Nokia/Fricsson.

usual by Nokia. the help of the economic the mighty Germany has overspill of its United States

ner for Alusuisse.

SFr3.275.

Novartis gained SFr48 to

Among financials, Zurich

SFr946 as CSFB raised its

earnings estimates and reit-

erated its strong buy recom-

mendation on the stock.

ciary of analysts' recommen-

day's trade on a bullish note,

Telecoms remained at the

centre of attention after Oli-

vetti's admission of a blun-

der in the timing of the sale

of 24.4m Telecom Italia

acquisition of a US chassis

maker to combine with its

Banks were mixed. San

Paulo-IMI soared 7 per cent

to €15.03 after the bank said

it expected a significant

increase in 1999 profitability in spite of costs linked to its

planned takeover of Banca di

Written and edited by Michael

Morgan, Jeffrey Brown, Florian

robotics group Comau.

1.2 per cent to 25,002.

cent to €6.23.

SFr2.401 in a technical

rebound after recent losses

heen halted by the Kosovo crisis), and Finland, lifted as But the star performer of which overcame the Brazilian devaluation jitters with

nies, telecommunications equipment makers Nokia the quarter was Mexico, and Ericsson, stand head and shoulders above their competitors. Yet in the past 12 months. while shares in Finland's

Nokia have risen almost 200 per cent, those of Sweden's Ericsson have only managed a meagre 6 per cent. After similar performances in 1997. Nokia gradually, and then with increasing pace. left its Nordic neighbour

standing in 1998. Buoyed by quarter after quarter of profit growth above analysts' expectations, Nokia's stock has rocketed to successive all-time highs. Ericsson is still suffering from its December warning that first-half profits will be

below last year's levels. At SKr200, Ericsson's B-share Swiss Re was another benefiremains below its high of dations, rising SFr35 to SKr263 in July although well above the 12-month low of MILAN called a halt to the Nokia's growth has led to its domination of the Helalthough volumes were thin. The Mibtel index rose 287 or

sinki stock exchange. In terms of capitalisation, it makes up 56 per cent of the exchange and has accounted for 60 per cent of its turnover so far this year. In Stockholm, Ericsson

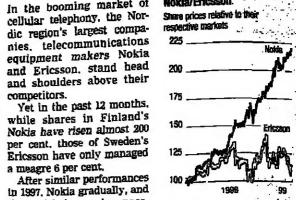
shares. Olivetti finished 0.4 has more competition, but per cent higher at €2.90 and still makes up 15 per cent of Telecom eased 0.3 per cent to the exchange in terms of €9.84. Tim picked up 1.9 per capitalisation and accounts for 24 per cent of turnover. Nokia is an important Fiat jumped 4 per cent to share in Stockholm where it €3.06 as the market gave its accounts for about 10 per approval for the group's

cent of turnover. based on the phenomenal growth of its mobile telephone handset sales at a time when the market has focused on this aspect of the cellular business, explains Anita Farrell, technology analyst with Merrill Lynch.

Although Ericsson has largely maintained its market share in handsets, its margins have failed to keep pace with those of Nokia

its Nordic rival

Nokia outpaces



Marie 101 whose constant launch of new products has helped establish it as the world's leading brand.

Nokia is now valued at about 30 times 2000 earnings compared with 22 times for Ericsson, according to Merrill Lynch. This is a reversal of the traditional pattern where Ericsson enjoyed a better price earnings ratio and reflects attitude changes to the way segments of the cellular business are valued.

Jonene 21

"Ericsson was traditionally granted a premium as the mobile systems business was seen as having better margins, more stable and of having customers likely to stay with a company," Ms Farrell said. "Handsets were seen as consumer items. very volatile and at the whims of individuals.

Ericsson's price is expec ted to improve in the second range of handsets comes on to the market. Moreover, as the cellular industry moves into 2000, the focus may switch back to mobile infrastructure where Ericsson has a third of the world mar-

While the valuations o the two stocks are likely to converge in the second half of the year, Nokia will growth powering the stock,

Nicholas George

US stocks mixed as bond prices weaken

US shares gave up early sharp gains to trade mixed at midday as bond prices plunged, writes John Labate in New York.

Bond prices tumbled almost a full point after the

Among the more bearish signs for the fixed-income market was a stronger-thanexpected report by Chicago Purchasing Managers. In bond had lost 15 at 94m. sending the yield sharply higher to 5.653 per cent.

The blue-chip equity secsecond day by plunging shares in Philip Morris.

The tobacco company, one bied more than 8 per cent or \$3 to \$34 in early trade. on top of the 8 per cent fall jury in Oregon ruled against it in a lawsuit.

In midday trading, the Dow Jones Industrial Average was down 15.26 at 9,898.00. The broader Standard & Poor's 500 index had fallen 1.73 to 1.299.02.

Among the major indices only the high-tech weighted Nasdag composite managed to push higher, gaining 13.67 to 2,493,96 and closing in on

Small company shares were firmer as a group as well, sending the Russell 2000 index less than a point higher to 398.82.

Two initial public offeractively traded issue on the

traded at \$33. a sharp spike from its offer price of \$19. While investors welcomed the new offering, they sold parent company Ziff-Davis. sending its share price down

Among other recent IPOs, internet auction service Priceline.com surged another 18 per cent to \$811. Its shares closed more than 300 per cent above its offer price on Tuesday. Software producer PeopleSoft plunged 6 per cent to \$14% after the company issued an earnings

In the transport sector America West gained \$# to tor was weighed down for a \$18% after it said it expected first-quarter earnings to top

TORONTO pushed ahead strongly from the opening bell, lifted by the announcement of a quarter-point cut to 5 per cent in the central suffered on Tuesday after a bank's overnight lending

> That set off a chain reaction of reductions in bank prime rates and sparked a wave of buying by investors anxious to climb aboard the market at a time of declining cost of capital to the corporate sector.

> Banks led the way up with Royal Bank of Canada gaining 85 cents to C\$71.95 and Bank of Nova Scotia 30 cents at C\$32.10. Canadian Imperial rose 35 cents to C\$39. By the noon count, the benchmark 300 composite

index was up 42.36 at 6.618.30. The flurry in the banking ings met with mixed results. sector was given an added Pepsi Bottling was the most twist when trading in sector heavyweight Toronto-Domin-New York Stock Exchange, ion was halted pending a

its offer price to trade at announced it is to float part \$22 . But shares of ZDNet, of its global discount brok-

des trom Goldm and managed to fall \$15 from statement. Later, the bank and Merrill Lynch. PARIS ended higher with some upside push from the options expiry. The CAC-40 added 55.9 or 1.4 per cent at Mexico City edges up

Drugs group Sanofi was the session's top performer, jumping €8.60 to €156 on news of an increase in dividend, investors also warmed to the group's upcoming merger with pharmaceuti-

FTSE indices (excluding UK, rebased)

Investors in FRANKFURT concentrated on special situations and at the end of another low-volume session the Xetra Dax was 24.07 Metals group Preussag. which has recently diversified beavily into leisure activities, pushed ahead

cals rival Synthelabo and touched a session low of the subsequent share split. Index heavyweight France Telecom also put in a strong €74.90 after the European rose 8.18 or 0.65 per cent to Commission approved a joint venture between DTFT, a France Telecom/Deutsche

> Energis of the UK. Buying interest also received a boost from Olivetti's increased bid for Tele-

Telecom joint venture, and

com Italia. Food giant Eridania Beghin-Say, however, shed €3.80 to €137.20 after its Italian parent company Compart dismissed rumours about a possible takeover. The forecast of weak earnings in the first half of 1999 also weighed on stock.

Hotelier Accor, which had risen in anticipation of its good 1998 earnings, succumbed to profit-taking, falling €5.10 to €230.

Shares in Saint-Gobain feli steeply against the broad market trend, losing €5.60 to €147 on rumours that the empany was on the acquisition trail. The group's name was yesterday linked with a possible takeover bid for UK elass rival. Pilkineton.

Oils finished in negative territory in spite of a good day for international oil prices. Brent Blend, the North Sea marker price, Fashion house Hugo Boss went above \$15 to the barrel fell €30 to €1,220 after downat one stage. Elf Aquitaine slipping €4.60 to €125.80.

AMSTERDAM traded narrowly, ending 2.53 higher at 536.93 on the AEX index. Aegon improved 65 cents

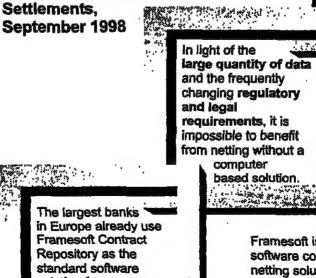
to €84.55 after the announcement that its Labouchere bank offshoot had abandoned plans to merge with broker AOT.

AOT tumbled 80 cents or 6.5 per cent to €11.50 and ING shed 15 cents to €51.05

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FRAMEWORKS FOR SUCCESS

ahead of Easter break MEXICO CTTY continued to cue package being mounted

push higher with the bench- for Brazil. mark IPC index up 22.11 at ahead of the Easter break.

SAO PAULO reversed some of the recent strong words from the IMF as the agency approved the \$4.9bn second tranche payment up 45.96, or 1.1 per cent, at within the international res-

4,904.11 at midsession, brás gained 1.1 per cent to although brokers com- R\$239.50, but the broad marplained that trading volumes ket softened. Brokers saw were minimal as investors little reason for the weakand traders wound down ness. Volumes were low. At midsession, the Bovespa index was off 58 at 10,969.

CARACAS stayed firm as gains in spite of comforting investors warmed to hopes for economic and political reform. The IPC index was

Market heavyweight Petro-

Johannesburg drops again SOUTH AFRICA Shares in Johannesburg day running with the all

trage trading ahead of the long Easter weekend. Industrials shed 81.2 at 7,439.2 and golds came off 22.3 at 2,851.3. share index dipping a fur-

Minorco was among the

ther 74.4 or 1.2 per cent at heaviest traded stocks. 6,348.5 on what brokers adding 0.4 per cent at described as negative arbi-R106.20.

Tax cut snub hits Bangkok

ASIA PACIFIC

Investors in BANGKOK thumbed their noses at a \$3.5bn package of tax cuts and government spending. sending shares steeply In thin trading conditions,

with turnover barely topping

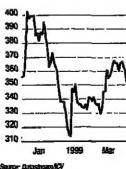
Bt2bn, a bout of retail selling late in the session pushed the SET index down 7.75 or 2.2 per cent to 352.01. Brokers said foreign and institutional investors had stayed out of markets elsewhere ahead of the Easter

been hard to gauge the Bangkok market's true reaction to the package.

break and as a result it had

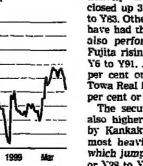
ping Bt1.50 to Bt51.50. Krung and 460 declining. Thai lost Bt0.75 at Bt17.25. TOKYO dipped in response nomic data on the last day of

Naoko Nakamae. index losing 0.61 to 253.88, per cent during the day.



while the broader Topix index of first-sector stocks edged 2.02 lower to 1,267.22. Bangkok Bank was the Volume was modest at 480m day's most active stock, slip-shares, with 716 rising issues

the 1998 fiscal year, writes cent year-on-year. The construction sector The Nikkei 225 average fell was boosted by a succession 22.53 to finish at 15,836.59 of announcements from conafter trading between struction-related companies 16,027.27 and 15,651.35. Other that their appeals for debt indices were little changed, forgiveness had been suc-



The Nikkei 225 close was 4.2 per cent down on its 1997 to a stream of gloomy eco- fiscal year-end, but the Topix index closed up 1.2 per

with the weighted Nikkei 300 cessful. The sector rose 1.7

Shares in Haseko were heavily traded and they closed up 3.8 per cent or Y3 to Y83. Other companies that have had their debt forgiven also performed well, with Fujita rising 7.1 per cent or Y6 to Y91, Aoki climbing 6.9 per cent or Y5 to Y77, and Towa Real Estate gaining 6.4

per cent or Y6 to Y100. The securities sector was also higher on the day, led by Kankaku Securities, the most heavily traded stock. which jumped 17.35 per cent or \38 to \257. But Nomura continued its slide after its profits warning last week,

falling Y10 to Y1.240. In Osaka, the OSE index ended the fiscal year up. gaining 109.61 to 17,029.17. **KUALA LUMPUR** ended higher, with construction

and infrastructure stocks leading the way. But many investors remained cautious ahead of the release of the central bank's annual report. leaving volumes thin.

The composite index gained 4.25 or 0.85 per cent to finish at 502.82. The construction sector

United Engineers rose 3 cents to MS1.72 and Ekran 4.5 cents to 71.5 cents. Technology Resources was one of the most active issues, rising 6 cents to M\$1.32 after announcing smaller-thanexpected 1998 losses.
SYDNEY was hit by a

sell-off for resource stocks on the back of softening base metal prices. BHP gave up 55 cents or 3.9 per cent at A\$13.45 and Rio Tinto lost 77 cents at A\$22.03. The All Ordinaries index ended off 26.1 at 2.967.2.

BOMBAY closed off the day's highs as profit-taking emerged late in the session. The BSE-30 index finished 56.47 ahead at 3.739.96, off a peak of 3,781.97. Software shares held

steady as investors built positions ahead of this month's reporting season. companies had a good day on news that the government was planning to

hand capital goods. Larson & Toubro jumped was buoyant on hopes that Rs15.30 to Rs234 and Wartthe government would lower sila Diesel was Rs22.30 interest rates in a bid to higher at Rs301.60.

restrict the import of second-